Raymond Chabot Grant Thornton

IFRS Adviser Alert

Example Consolidated Financial Statements 2026

November 2026

Overview

Grant Thornton International has published the 2026 edition of *IFRS Example Consolidated Financial Statements* (hereafter the "*Example Consolidated Financial Statements*").

The *Example Consolidated Financial Statements* are based on the activities and results of Illustrative Corporation and its subsidiaries – a fictional consulting, service and retail entity which has been preparing IFRS Accounting Standards consolidated financial statements for several years. The form and content of IFRS financial statements will always depend on the activities and transactions of the reporting entity.

The *Example Consolidated Financial Statements* have been updated to reflect changes in IFRS Accounting Standards that are effective for the year ending December 31, 2026. No account has been taken of any new developments after September 30, 2026.

In particular, the 2026 edition reflects the early adoption of IFRS 18, *Presentation and Disclosure in Financial Statements*, issued by the IASB in April 2024 and effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. IFRS 18 replaces IAS 1, *Presentation of Financial Statements*, and introduces revised principles for the presentation and disclosure of information in the financial statements, while retaining the general requirements previously contained in IAS 1.

The majority of entities will not yet be applying IFRS 18, since it is not mandatorily effective until annual reporting periods beginning on or after January 1, 2027. Entities that have not adopted IFRS 18 should refer instead to the *IFRS Example Consolidated Financial Statements 2025*, which were prepared applying IAS 1.

Please note that there have been several developments since the 2025 edition that are not related to IFRS 18 but are relevant to entities continuing to apply IAS 1. These are illustrated in Appendix D of the 2026 edition.

Resource

The document *IFRS Example Consolidated Financial Statements 2026* follows this *IFRS Adviser Alert*.

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Grant Thornton

IFRS Example Consolidated Financial Statements 2026

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 IFRS Accounting 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 2026

The preparation of financial statements in accordance with IFRS Accounting Standards 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, and 2026 is no different.

The member firms of Grant Thornton International Ltd (GTI) have extensive expertise in the application of IFRS Accounting Standards. GTI, through its IFRS and corporate reporting team, develops general guidance that supports its member firms' commitment to high quality, consistent application of IFRS Accounting Standards and is therefore pleased to share its insights by publishing 'IFRS Example Consolidated Financial Statements 2026' (Example Financial Statements).

These Example Financial Statements are based on the activities and results of Illustrative Corporation and its subsidiaries (the Group or the Illustrative Corporation Group) – a fictional consulting, service and retail entity that has been preparing IFRS Accounting Standards consolidated financial statements for several years. The form and content of IFRS financial statements will always depend on the activities and transactions of the reporting entity. Our objective in preparing these Example Financial Statements is to illustrate financial reporting by an entity engaging in transactions that are typical across a range of non-specialist sectors.

However, as with any publication of this type, these Example Financial Statements cannot envisage every possible transaction and therefore cannot be regarded as comprehensive. Management, as defined by the IASB, is ultimately responsible for the fair presentation of financial statements and therefore they may find other approaches more appropriate for the entity's specific circumstances.

These Example Financial Statements have been updated to reflect changes in IFRS Accounting Standards that are effective for the year ending 31 December 2026. No account has been taken of any new developments after **30 September 2026**.

Early adoption of IFRS 18

These Example Financial Statements reflect the Group's early adoption of IFRS 18 'Presentation and Disclosure in Financial Statements', issued by the IASB in April 2024 and effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and introduces revised principles for the presentation and disclosure of information in the financial statements, while retaining the general requirements previously contained in IAS 1.

The Standard establishes clearer roles for the primary financial statements and the notes; introduces enhanced principles for aggregation and disaggregation of information; and requires a clearer linkage between amounts presented in the primary statements and related note disclosures. IFRS 18 also introduces significant changes to the statement of profit or loss, including the classification of income and expenses into defined categories (operating, investing, financing, income taxes and discontinued operations) and the presentation of new required subtotals, including operating profit and profit or loss before financing and income taxes. In addition, IFRS 18 introduces new disclosure requirements relating to management-defined performance measures and makes limited consequential amendments to other standards, including IAS 7 'Statement of Cash Flows'. The comparative information has been restated accordingly, and further information on the impact of adopting IFRS 18 is provided in the relevant notes to the financial statements.

A guidance note setting out the roles of the primary financial statements and the notes in more detail is provided at the start of the financial statements.

For further guidance on the application of IFRS 18, including practical examples, refer to Grant Thornton's **'Get Ready for IFRS 18'** publication.

Guidance for entities not early adopting IFRS 18
The majority of entities will not yet be applying IFRS 18, since it is not mandatorily effective until annual reporting periods beginning on or after 1 January 2027. Entities that have not adopted IFRS 18 should refer instead to the **'IFRS Example Consolidated Financial Statements 2025'**, which were prepared applying IAS 1.

There have been a number of developments since that edition that are not related to IFRS 18 but are relevant to entities continuing to apply IAS 1. These are set out, with references to where they are illustrated in these Example Financial Statements, in **Appendix D**.

Using the Example Financial Statements
The Example Financial Statements illustrate the application of IFRS Accounting Standards in a complete set of consolidated financial statements prepared for the year ended 31 December 2026. The main body of these Example Financial Statements has been prepared in accordance with IFRS 18 and illustrates a mixed presentation of operating expenses in the statement of profit or loss.

These financial statements are an illustrative example prepared to demonstrate a range of presentation and disclosure requirements in accordance with IFRS Accounting Standards, including IFRS 18 and other standards. They have not been prepared by applying a specific financial statement materiality threshold to a real entity. Line items, disclosures and presentation choices have been selected to illustrate particular requirements and judgements across the financial statements as a whole, and users should not infer that the same choices would necessarily be appropriate for a specific entity applying its own materiality judgements.

The appendices illustrate alternative IFRS 18-compliant presentation formats and specific matters, including examples of statements of profit or loss prepared in accordance with IFRS 18 using a presentation by nature and a presentation by function, and an appendix addressing warranties and other arrangements that may fall within the scope of IFRS 17 'Insurance Contracts'. That appendix is intended to be relevant to non-insurance entities only and focuses on scoping assessments, significant judgements and accounting policy considerations.

For guidance on the standards and interpretations applied, reference is made to IFRS Accounting Standards 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, these Example Financial Statements should not be used as a standalone disclosure checklist as facts and circumstances vary between entities and each entity should assess individually what information needs to be disclosed in its financial statements.

IFRS taxonomy
The IFRS taxonomy reflects the presentation and disclosure requirements of the IFRS Standards issued by the IASB and includes elements from the accompanying materials to the IFRS Accounting Standards such as implementation guidance and illustrative examples. In addition, it contains elements for disclosures not specifically required by IFRS Accounting Standards but commonly reported in practice. The IFRS taxonomy is designed to improve communication between preparers and users of IFRS Accounting Standards financial statements by enabling preparers to tag required disclosures, making them easily accessible when viewing financial statements electronically. The IASB usually publishes the annual IFRS taxonomy in the first quarter of each year; however in February 2026 the IASB confirmed that no updates to the 2025 taxonomy were required for 2026 reporting periods, and therefore entities should continue to use the 2025 IFRS Accounting Taxonomy. The 2025 taxonomy includes elements reflecting IFRS 18 presentation and disclosure requirements for early adopters. The next annual taxonomy will be published in Q1 2027, and will incorporate mandatory IFRS 18 tagging for all entities.

Disclosures outside financial statements
The financial statements are just one part of a reporting entity's communication with stakeholders. Depending on jurisdictional requirements, an annual report typically includes the financial statements, a management commentary and information about governance, strategy and business developments (often including corporate and social responsibility). It is important the annual report is considered holistically to ensure it delivers a consistent and coherent message to investors and other stakeholders ('users'), and this includes ensuring that events external to the entity's operations, such as the potential impacts of rising inflation or changes in tariff regimes, are taken into account.

IFRS 18 acknowledges an entity may present, outside the financial statements, a financial review that describes and explains the main features of the organisation's financial performance (including cash flows) and financial position, both locally and internationally. Reports and statements presented outside financial statements are currently outside the scope of IFRS Accounting Standards.

Even though reports and statements outside financial statements are excluded from the scope of IFRS Accounting Standards, they are often within the scope of domestic regulation. Presenting information clearly and logically for users is likely to go a long way towards satisfying local regulatory requirements.

In certain jurisdictions there may be certain reconciliations required between alternative performance measures (APMs – which are also often referred to as non-GAAP measures) and IFRS Accounting Standards, in addition to the new disclosure requirements in IFRS 18 in relation to a subset of APMs referred to as management-defined performance measures (MPMs). While MPMs are, by definition, a subset of APMs, an entity's existing disclosure practice may not align with the IFRS 18 MPM disclosure requirements: some existing APMs may not meet the IFRS 18 MPM definition, and some measures not previously disclosed as APMs may fall within scope of the IFRS 18 MPM disclosure requirements. For example, this could include management performance measures not previously included in the annual report but reported in public communications outside it, or new measures introduced as a result of adopting IFRS 18 (see Note 7 for the Group's MPM disclosures).

Remember it is always important to make sure certain required information is placed either in the primary financial statements or in the notes to the financial statements. Particular attention should be given to making sure any disclosures placed outside the financial statements are not required by IFRS Accounting Standards to be included within the financial statements.

When reporting on the economic consequences of events external to the entity on the reporting entity, a key factor is considering whether the message communicated is consistent and coherent. It should always align with any narrative contained elsewhere in the annual report.

In our view, when drafting content for the annual report and the financial statements, preparers should question:

- what is important to the business and what are its main objectives?
- are these objectives consistent throughout the annual report?
- is the right level of emphasis being placed on disclosures relating to events external to the entity?
- are the messages about the impact of events external to the entity consistent?
- is the disclosure sufficient for the reader to be able to understand the impact of events external to the entity on the entity and assist them in making economic decisions?
- is the same terminology used in the financial statements and management commentary, including any APMs, that are being referred to? For example, if the statement of financial position is referred to as the balance sheet, is this title used consistently throughout the report – rather than switching between the two titles for the same primary financial statement?
- have all MPMs within the scope of the IFRS 18 disclosure requirements been identified?
- where APMs that do not meet the definition of an MPM are disclosed, are these defined and reconciled to the nearest IFRS-based measure? Reconciliation is mandatory in some jurisdictions (for example, for APMs within the scope of the **ESMA Guidelines**) and is considered best practice more generally even where not explicitly required by local regulation.
- if any changes have been made to assumptions in light of events external to the entity since the entity last reported or if any new assumptions have been made, has a full explanation of these changes and their impact on the financial statements been disclosed?

Cross referencing – placement of information required by IFRS Accounting Standards outside the financial statements

There are certain specific instances where IFRS Accounting Standards state that disclosure requirements may be met by cross referencing to information outside the financial statements, for example information elsewhere in the annual report (eg IFRS 7.21B, 35C, B6) or in a group entity's financial statements (IAS 19.150). We note that while the IASB previously considered including a general principle in IFRS Accounting Standards in relation to the placement of IFRS Accounting Standards information outside the financial statements, they chose not to develop guidance or requirements in relation to this. In general, information required by IFRS Accounting Standards to be included in the financial statements should be presented in the primary statements or disclosed in the notes, as there is a risk that if information required by IFRS Accounting Standards is included elsewhere in the annual report by cross reference, this could cause fragmentation of disclosures, making it harder for users to find information. Any information required by IFRS Accounting Standards that is included in the annual report outside the financial statements should be clearly labelled, and cross referenced from the financial statements. We note IFRS 18 requires that disclosures, including those relating to MPMs, cannot be provided by cross-reference and must be included within the financial statements in a single note.

Grant Thornton International Ltd
October 2026

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We've got scale, combined with local market understanding. That means we're everywhere you are, as well as where you want to be.

Economic uncertainty

In the current environment, there are many economic, political and other uncertainties that can affect financial reporting. Potential examples include the continuing Russia-Ukraine conflict and the evolving situation in the Middle East, including the Israel-Hamas conflict, ongoing tensions involving Iran and the US, persistent inflationary pressures in some economies, changes to tariff regimes, supply chain disruptions, natural disasters and other significant global events. Preparers of financial statements will need to perform a thorough risk assessment to determine which events or circumstances could have a current or future impact on their financial reporting, and then assess where and in what form to disclose the impact within their financial statements in light of IFRS Accounting Standards as they currently exist.

We believe it is important to not only comply with the guidance set out in IFRS Accounting Standards, but to also ensure the financial statements are an effective part of any wider communication the entity intends to share with its stakeholders. Refer to our article '**Changing economic environments**' for guidance on assessing the financial impact and disclosure requirements in relation to economic uncertainty. Our article focuses on the potential impact of recent changes to the import tariff regime in the US, and the suspension of foreign development assistance by the US government, however the guidance can be applied to any geopolitical events giving rise to economic uncertainty. For additional considerations, refer to our '**Accounting implications of SCOTUS tariffs ruling**' and '**Accounting implications of the conflict in Iran**' IFRS alerts.

Climate-related matters

Climate-related matters may affect entities' business models, financial performance, expected cash flows and financial position. So, they may impact the recognition, measurement and disclosures requirements of IFRS Accounting Standards, and need to be reflected in the financial statements when material.

Investors and other stakeholders also increasingly expect transparent reporting about climate-related risks, commitments made to address them and their financial effects.

What about climate change in the current IFRS Accounting Standards?

Although IFRS Accounting Standards do not refer explicitly to climate-related matters, entities are required to consider their effects when preparing financial statements if those effects are material. This was emphasised by the IASB in its educational material first issued in November 2020 and **updated in July 2023**, which highlights several areas where climate-related matters may affect financial statements, including impairment testing, fair value measurements and inventory valuation.

IFRS 18 contains relevant requirements when considering climate-related matters. Hence, paragraph 113 requires entities to disclose information not presented elsewhere in the financial statements but that is relevant to understand the financial statements. All material information must be disclosed and both IFRS 18 and IAS 8 'Basis of Preparation of Financial Statements' state that information is deemed material if omitting, misstating or obscuring it could reasonably be expected to influence decisions of the primary users of the Group's financial statements. Materiality must therefore be assessed on a quantitative and qualitative basis; accordingly, climate-related matters may be material, due to their nature, even if the numerical impact on financial statements is not material (see the **'IFRS Practice Statement 2 Making Materiality Judgements'**).

In response to stakeholders concerns that information about the effect of climate-related risks is sometimes insufficient or appears to be inconsistent with information provided outside the financial statements, the IASB published in November 2025 '**Disclosures about Uncertainties in the Financial Statements**' illustrating how an entity applies IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements.

The examples aim to improve reporting of the effects of climate-related and other uncertainties in the financial statements and to help entities provide information that is consistent with other information included in their general purpose financial reports, without adding or changing requirements to the current IFRS Accounting Standards. They address three different areas: materiality judgements, disclosures about assumptions and other sources of estimation uncertainties, and disaggregation of information.

These examples are supposed to be sufficiently generic to apply to different fact patterns in several industries, and the principles and requirements illustrated could apply equally to other types of uncertainties.

Although the Illustrative Examples do not amend IFRS Accounting Standards and have no effective date, entities may need to reassess whether their existing disclosures appropriately reflect the principles illustrated in these examples.

Climate-related information contained within financial statements should always be entity specific, considering both the level of information and the nature of the impacts will have on the entity's business, the geographical areas it operates in, the type of work being undertaken, etc. Such assessment of the impact of climate change will inevitably be subject to change over time and so the nature and extent of disclosures should be continuously reassessed.

Preparers should consider whether information provided in the financial statements may appear inconsistent with information provided elsewhere, including sustainability-related disclosures, and whether additional explanations are necessary to enable users to understand the effects of climate-related matters on the financial statements.

Apparent differences do not necessarily indicate inconsistency. Such differences may arise because financial statements and sustainability-related reports have different objectives, reporting boundaries, levels of aggregation, time horizons and materiality assessments. IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures', issued by the ISSB in June 2023, require an entity to provide connected information, including links between its sustainability-related disclosures and its financial statements. Similar connectivity requirements exist under other sustainability reporting frameworks, such as the European Sustainability Reporting Standards (ESRS).

Accordingly, where IFRS S1, IFRS S2 or an equivalent framework applies to the entity, we encourage preparers to carefully assess the consistency of the assumptions and estimates used in preparing the financial statements with information provided elsewhere, for example on decarbonisation plans and greenhouse gas (GHG) emissions.

In practice, we encourage entities providing climate-related information either in a dedicated note or through a clear mapping of relevant disclosures located throughout the financial statements. Such an approach may assist users in understanding the overall impact of climate-related matters on the financial statements.

Lastly, entities should also consider any recommendations or guidance from their local regulators when assessing the nature and extent of information to disclose.

Although many current disclosures focus on climate-related matters, similar considerations may apply to other sustainability-related matters, including biodiversity, water scarcity, pollution, resource use and circular economy initiatives, when these matters affect the recognition, measurement or disclosure requirements of IFRS Accounting Standards.

IFRS Example Consolidated Financial Statements

Illustrative Corporation Group
31 December 2026

Guidance note

The roles of the primary financial statements and the notes
The objective of financial statements is to provide financial information about the reporting entity that is useful to users (that is, existing and potential investors, lenders and other creditors) in making decisions about providing resources to the entity, and in assessing management's stewardship of the entity's economic resources (IFRS 18.9).

One of the significant conceptual changes introduced by IFRS 18 is the explicit establishment of distinct roles for the primary financial statements and the notes (IFRS 18.15-18). When using IAS 1 this distinction was implicit; IFRS 18 makes it a formal requirement that entities use these defined roles to determine where information belongs.

The role of the primary financial statements is to provide useful structured summaries of an entity's recognised assets, liabilities, equity, income, expenses and cash flows, designed to give users an understandable overview, enable comparisons between entities and across periods, and help users identify areas where they may wish to seek more detail in the notes (IFRS 18.16).

The role of the notes is to provide material information necessary either to enable users to understand the line items in the primary financial statements, or to supplement those statements with additional information needed to achieve the objective of financial statements (IFRS 18.17). Information in the primary financial statements will generally be more aggregated than information in the notes, while the notes will contain more detailed disaggregation of amounts presented in the primary financial statements (IFRS 18.18).

IFRS 18 sets out a non-exhaustive list of characteristics to consider. For items of income and expense, these characteristics include nature, function, persistence, measurement basis and size (IFRS 18.B78). For assets and liabilities, characteristics to consider also include duration and timing of recovery or settlement, including whether an item is current or non-current, and liquidity (IFRS 18.B110).

In practice this means entities need to consider not just what information they disclose, but where it sits. This distinction flows through all aspects of these Example Financial Statements and is reflected in the guidance notes throughout.

Consolidated statement of profit or loss

For the year ended 31 December 2026
(expressed in thousands of Euroland currency units (CU), except per share amounts)

Guidance note

IFRS 18 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 must immediately precede the statement presenting other comprehensive income, which must begin with profit or loss (IFRS 18.12).

These 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**.

Required subtotals

IFRS 18 introduces three required subtotals in the statement of profit or loss: operating profit or loss, profit or loss before financing and income taxes, and profit or loss (IFRS 18.69). This represents a significant change from IAS 1, where only profit or loss was required and operating profit was a commonly presented but voluntary subtotal.

Operating profit or loss comprises all income and expenses in the operating category. Profit or loss before financing and income taxes adds to this all income and expenses in the investing category. Profit or loss is then the total across all five categories (IFRS 18.70–72).

Classification of income and expenses

The introduction of required subtotals reflects IFRS 18's broader framework for classifying income and expenses into five categories: operating, investing, financing, income taxes and discontinued operations (IFRS 18.47). The operating category acts as a residual, capturing everything not classified in the other four categories (IFRS 18.52). The investing category covers income and expenses from investments that generate a return individually and largely independently of the entity's other resources, including equity-accounted investments, cash and cash equivalents, and standalone investment assets (IFRS 18.53-54). The financing category covers income and expenses arising from liabilities that exist solely to raise finance, together with certain interest on other liabilities (IFRS 18.59-61). The classification described above applies to entities that do not have a specified main business activity. For entities that do, the classification of certain income and expenses differs as discussed below.

The Group does not have a specified main business activity and accordingly the income and expenses in this statement are classified on that basis.

Specified main business activities

IFRS 18 requires an entity to assess whether one or both of the following are a main business activity: investing in particular types of assets, or providing financing to customers (IFRS 18.49). An entity may have more than one main business activity, for example, a manufacturing entity that also provides financing to customers may determine that both activities are main business activities (IFRS 18.B30). The assessment is therefore not either/or; what matters is whether one or both of investing in assets and providing financing to customers is a main business activity of the entity.

IFRS 18 requires this assessment to be made at the level of the reporting entity as a whole (IFRS 18.B37). In these Example Financial Statements, this means the assessment is done from the Group's perspective: a subsidiary within the Group, or the parent's separate financial statements, could reach a different conclusion on whether it has a specified main business activity.

Examples of entities for which investing in assets may be a main business activity include investment entities, investment property companies and insurers. Examples of entities for which providing financing to customers may be a main business activity include banks, other lending institutions, entities that offer financing to their own customers to purchase the entity's goods or services, and lessors that provide financing to customers through finance leases (IFRS 18.B31-B32).

Where an entity has one or both of the specified main business activities, certain income and expenses that would otherwise be classified in the investing or financing category are instead classified in the operating category, because those activities are central to how the entity generates returns (IFRS 18.50, 55-58 and 65-66). This means that for such entities the investing and financing categories will be narrower, and operating profit or loss may reflect a broader range of income and expenses than for an entity without a specified main business activity. An entity with a specified main business activity is also required to disclose that fact (IFRS 18.51).

These Example Financial Statements are prepared for a group that does not have either of these specified main business activities. Accordingly, the classification of income and expenses follows the general requirements described above. For further guidance on the application of the specified main business activity requirements, including practical examples, refer to our publication '**Insights into IFRS 18 – Classification**'.

Presentation of expenses
Within the operating category, IFRS 18 requires expenses to be classified and presented using the nature of expenses, their function within the entity, or a combination of both, whichever provides the most useful structured summary (IFRS 18.78). It is not a free choice. IFRS 18 does not permit an entity to classify and present operating expenses using an arbitrary mixture of the characteristics of nature and function. Each individual line item must be aggregated on the basis of only one characteristic, either nature or function, although the same characteristic does not have to be used for all line items. This statement illustrates a mixed nature and function approach. Management's judgement that the mixed presentation provides the most useful structured summary for this entity is explained in the accounting policy note below.

See **Appendix A** for a format illustrating the 'nature of expenses', and the 'function of expenses' methods.

Where an entity presents function line items, it must disclose in a single note the totals for key nature categories – depreciation, amortisation, employee benefits, IAS 36 impairment losses and inventory write-downs (IFRS 18.82-83; see **Note 8** for this disclosure).

Additional line items and subtotals
There may be situations where additional line items, headings and subtotals need to be included. IFRS 18.24 requires an entity to present such additional items (including the disaggregation of the line items listed in IFRS 18.75) in the statements of profit or loss and other comprehensive income when such presentation is necessary for the statement to provide a useful structured summary.

IFRS 18.24 requires any additional subtotals presented to be:
- composed of amounts recognised and measured in accordance with IFRS Accounting Standards
- compatible with the general financial statement structure requirements of IFRS 18
- consistent from period to period, and
- no more prominent than the subtotals and totals required in IFRS Accounting Standards.

Management-defined performance measures
Where an entity uses subtotals of income and expenses in public communications outside its financial statements, such as management commentary, press releases or investor presentations, it must consider whether those measures meet the definition of a management-defined performance measure (IFRS 18.117). If so, IFRS 18 requires those measures to be disclosed in a single note, including a reconciliation to the most directly comparable IFRS 18 subtotal (or other total or subtotal specifically required by IFRS Accounting Standards) and the income tax effect and effect on non-controlling interest of each reconciling item (IFRS 18.121-125). This requirement applies regardless of whether the measure is also presented in the statement of profit or loss (see **Note 7** for the Group's MPM disclosures).

Earnings per share
IAS 33 'Earnings per Share' was amended by IFRS 18. Where an entity chooses to disclose an additional amount per share, the numerator is now restricted to either a total or subtotal specified in IFRS 18.69, 86 or 118, or a management-defined performance measure as defined in IFRS 18.117 (IAS 33.73B). This is narrower than the previous requirement, which permitted any reported component of the statement of comprehensive income. The additional basic and diluted amounts per share must be disclosed with equal prominence to each other, and presented only in the notes, not on the face of the primary statements (IAS 33.73C). Where the numerator is a management-defined performance measure, the entity must also give the disclosures required by IFRS 18.121-125 for that measure.

Consolidated statement of profit or loss

For the year ended 31 December 2026
(expressed in thousands of Euroland currency units (CU), except per share amounts)

		Notes	2026	2025 (restated)	IFRS 18 categories[1]:
IFRS 18.75(a)(i)	Revenue	5, 6	**204,087**	189,488	Operating
IFRS 18.B70	Hedging gains and losses	23.4	**640**	712	
IFRS 18.82(a)	Cost of sales		**(110,526)**	(103,918)	
IFRS 18.24 IFRS 18.118(a)	**Gross profit**		**94,201**	**86,282**	
IFRS 18.78	Distribution costs		**(12,014)**	(11,537)	
IFRS 18.78	Administrative expenses		**(57,652)**	(55,489)	
IFRS 18.78	Reversal of restructuring provision/(restructuring expenses)	31	**510**	(980)	
IFRS 18.78	Research and development costs		**(1,690)**	(1,015)	
IFRS 18.78	Goodwill impairment loss	18	**(799)**	(190)	
IFRS 18.78	Other operating income and gains	9	**429**	1,033	
IFRS 18.78	Foreign exchange on trading transactions		**937**	1,164	
IFRS 18.78	Other operating expenses	9	**(948)**	(670)	
IFRS 18.69(a)	**Operating profit**		**22,974**	**18,598**	
IFRS 18.75(a)(iii)	Share of profit from equity accounted investments	17	**391**	141	Investing
	Income from investment property	22	**1,376**	1,203	
	Fair value movements and income on financial investments	11	**839**	485	
IFRS 18.69(b)	**Profit before financing and income taxes**		**25,580**	**20,427**	
	Interest expenses on pension liability	10	**(505)**	(549)	Financing
	Interest expenses on borrowings and lease liabilities	10	**(3,314)**	(3,284)	
	Foreign exchange on borrowings	10	**(100)**	(70)	
IFRS 18.24 IFRS 18.118(e)	**Profit before tax**		**21,661**	**16,524**	
IFRS 18.75(a)(iv)	Tax expense	12	**(6,794)**	(4,888)	Taxation
IFRS 18.24 IFRS 18.118(f)	**Profit for the year from continuing operations**		**14,867**	**11,636**	
IFRS 18.75(a)(v)	Loss for the year from discontinued operations	14	**(9)**	(325)	Discontinued Operations
IFRS 18.69(c)	**Profit for the year**		**14,858**	**11,311**	

[1] Please note that this 'IFRS 18 categories' column is not required on the face of the consolidated statement of profit or loss. It is provided for reference purposes only.

Consolidated statement of profit or loss

For the year ended 31 December 2026
(expressed in thousands of Euroland currency units (CU), except per share amounts)

		Notes	2026	2025 (restated)
	PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
IFRS 18.76(a)	Non-controlling interest	16.2	**121**	116
IFRS 18.76(b)	Owners of the parent		**14,737**	11,195
			14,858	**11,311**

		Notes	2026	2025
	Earnings per share	13		
IAS 33.67A	**Basic earnings (loss) per share**			
IAS 33.66	– From continuing operations		**1.18**	0.96
IAS 33.68A	– From discontinued operations		**(0.00)**	(0.03)
IAS 33.66	Total		**1.18**	**0.93**
IAS 33.67A	**Diluted earnings (loss) per share**			
IAS 33.66	– From continuing operations		**1.18**	0.96
IAS 33.68A	– From discontinued operations		**(0.00)**	(0.03)
IAS 33.66	Total		**1.18**	**0.93**

Consolidated statement of other comprehensive income

For the year ended 31 December 2026
(expressed in thousands of Euroland currency units (CU), except per share amounts)

Guidance note

IFRS 18 requires an entity to present in the statement of comprehensive income, or disclose in the notes, reclassification adjustments (amounts previously included in other comprehensive income that are reclassified to the profit or loss) and related tax effects (IFRS 18.90, IFRS 18.93). These 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 disclose reclassification adjustments in the notes, in which case the components of other comprehensive income are presented after any related reclassification adjustments (IFRS 18.92).

IFRS 18.88 requires an entity to classify income and expenses included in the statement presenting comprehensive income into one of two categories:

- income and expenses that will be reclassified to profit or loss when specific conditions are met, and
- income and expenses that will not be reclassified to profit or loss.

IFRS 18.89 requires an entity to present, in each of these two categories, separate line items for the share of other comprehensive income of associates and joint ventures accounted for using the equity method, and for other items of other comprehensive income (IFRS 18.89(a) and (b)).

IFRS 18.93 and IFRS 18.94 permit a choice when disclosing 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 (IFRS 18.94(b)). When an entity selects this option, it must allocate the tax between the two categories of other comprehensive income set out in IFRS 18.88, that is between the items that might be reclassified subsequently to the profit or loss and those that will not (IFRS 18.95).

Alternatively, an entity may present each component of other comprehensive income net of related tax effects (IFRS 18.94(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 disclosed in the notes (IFRS 18.93). The tax effect of components presented within other components of equity is disclosed in Note 28.3. Remeasurements of the net defined benefit liability are transferred directly to retained earnings; the related tax effect is disclosed within the deferred tax movement analysis in Note 24.

		Notes	2026	2025
IFRS 18.27(c) IFRS 18.27(d)–(e)				
IFRS 18.86(a)	**Profit for the year**		**14,858**	**11,311**
	OTHER COMPREHENSIVE INCOME:			
IFRS 18.88(b)	**Items that will not be reclassified subsequently to profit or loss**			
IAS 16.77(f)	Revaluation of land	20	**303**	–
IAS 19.120(c)	Remeasurement of net defined benefit liability	30	**3,830**	(3,541)
IFRS 18.93 IFRS 18.94(b)	Income tax relating to items not reclassified	24	**(1,240)**	1,062
IFRS 18.88(a)	**Items that will be reclassified subsequently to profit or loss**			
	Cash flow hedging			
IFRS 7.24C(b)(i)	– current year gains	28.3	**890**	540
IFRS 18.90 IFRS 7.24C(b)(iv)	– reclassification to profit (or loss)	28.3	**(640)**	(712)
IAS 21.52(b)	Exchange differences on translating foreign operations	28.3	**(664)**	(341)
IFRS 18.89(a)	Share of other comprehensive income of equity accounted investments	17	**5**	–
IFRS 18.90	– reclassification to profit (or loss)	28.3	**(3)**	–
IFRS 18.93 IFRS 18.94(b)	Income tax relating to items that will be reclassified	28.3	**176**	95
IFRS 18.86(b)	**Other comprehensive income for the year, net of tax**		**2,657**	**(2,897)**
IFRS 18.86(c)	**Total comprehensive income for the year**		**17,515**	**8,414**
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
IFRS 18.87(a)	Non-controlling interest		**121**	116
IFRS 18.87(b)	Owners of the parent		**17,394**	8,298
			17,515	**8,414**

Guidance note

Below are the common examples of other comprehensive income items that:

- Will not be reclassified subsequently to profit or loss:
  - Revaluation gains or losses pertaining to property and equipment and intangible assets (IAS 16.39-40 and IAS 38.85-86)
  - Remeasurements of net defined benefit liabilities (assets) (IAS 19.120(c))
- Remeasurement gains or losses on equity instruments at fair value through other comprehensive income (IFRS 7.20(a)(vii), IFRS 9.5.7.5 and IFRS 9.5.7.1(b))
  - Changes in the fair value that is attributable to changes in the liability's credit risk for particular liabilities designated as at fair value through profit or loss (IFRS 7.20(a)(i), IFRS 9.5.7.1(c) and IFRS 9.5.7.7(a))
- Will be reclassified subsequently to the profit or loss when specific conditions are met:
  - Exchange differences from translation of financial statements of foreign operations (IAS 21.48)
  - Remeasurement gains or losses on debt instruments at fair value through other comprehensive income (IFRS 7.20(a)(viii), IFRS 9.5.7.1(d) and IFRS 9.5.7.10)
  - Effective portion of gains or losses on hedging instruments in a cash flow hedge (IFRS 7.24C(b) and IFRS 9.6.6.4)
  - Changes in the value of the time value of options, in the value of the forward elements of forward contracts and in the value of the foreign currency basis spread of financial instruments, where these are not included in the designation of the related instruments as hedging instruments (IFRS 9.6.5.15 and IFRS 9.6.5.16).

Consolidated statement of financial position

as at 31 December 2026
(expressed in thousands of Euroland currency units (CU), except per share amounts)

		Notes	31 Dec 2026	31 Dec 2025
IFRS 18.27(c) IFRS 18.27(d-e)	**ASSETS**			
IFRS 18.96 IFRS 18.99–100 IFRS 18.B94	**Non-current**			
IFRS 18.103(d)	Goodwill	18	**5,041**	3,537
IFRS 18.103(c)	Other intangible assets	19	**17,424**	13,841
IFRS 18.103(a)	Property, plant and equipment	20	**18,606**	16,194
	Right-of-use assets	21	**29,534**	32,205
IFRS 18.103(g)	Investments accounted for using the equity method	17	**860**	467
IFRS 18.103(b) IFRS 16.48	Investment property	22	**12,662**	12,277
IFRS 18.B109	Deferred customer set-up costs	5	**185**	160
IFRS 18.103(e)	Other long-term financial assets	23.1	**4,051**	4,137
IFRS 18.103(r) IFRS 18.98	Deferred tax assets	24	**1,036**	1,245
	Non-current assets		**89,399**	84,063
IFRS 18.96 IFRS 18.99–100	**Current**			
IFRS 5.38 IFRS 18.103(l)	Assets included in disposal group classified as held for sale	14	**103**	3,908
IFRS 18.103(i)	Inventories	25	**18,298**	17,226
IFRS 18.B109	Prepayments and other short-term assets	5	**406**	422
IFRS 18.103(j)	Trade and other receivables	26	**32,720**	24,824
IFRS 18.103(e) IFRS 18.B109	Derivative financial instruments	23.4, 23.1	**716**	442
IFRS 18.103(e)	Bank deposit	23.1	**655**	649
IFRS 18.103(k)	Cash and cash equivalents	27	**34,729**	11,197
	Current assets		**87,627**	58,668
IFRS 18.24	**Total assets**		**177,026**	**142,731**

Guidance note:

These Example Financial Statements use the terminology in IFRS 18. However, an entity is permitted to use other titles (eg 'balance sheet' instead of 'statement of financial position') for the statements identified in IFRS 18 (IFRS 18.11).

IFRS 18.32 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, IFRS 18.10(g) and IFRS 18.37 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 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 Accounting Standards (IFRS 18.B14). When the additional comparative information includes one or more of the statements identified in IFRS 18.10, an entity must also present related note information.

In contrast, IFRS 18.39 states 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 the related notes for that statement.

The consolidated statement of financial position reflects the separate classification of current and non-current assets and liabilities. When presentation based on liquidity provides a more useful structured summary, the entity instead presents assets and liabilities in order of liquidity (IFRS 18.96). Regardless of which method is used, the entity must disclose the amount expected to be recovered or settled after more than 12 months for each asset and liability line item that combines amounts expected to be recovered or settled within and after more than 12 months (IFRS 18.97).

Consolidated statement of financial position

as at 31 December 2026
(expressed in thousands of Euroland currency units (CU), except per share amounts)

		Notes	31 Dec 2026	31 Dec 2025
IFRS 18.27(c) IFRS 18.27(d-e)				
	EQUITY AND LIABILITIES			
	EQUITY			
	Equity attributable to owners of the parent			
IFRS 18.104(b)	Share capital	28.1	**13,770**	12,000
IFRS 18.B111(f)	Share premium	28.2	**19,645**	3,050
IFRS 18.B111(f)	Other components of equity	28.3	**446**	470
IFRS 18.104(b)	Retained earnings		**50,895**	36,179
IFRS 18.104(b)	**Equity attributable to owners of the parent**		**84,756**	**51,699**
IFRS 18.104(a)	Non-controlling interest		**713**	592
IFRS 18.24	**Total equity**		**85,469**	**52,291**
	LIABILITIES			
IFRS 18.96 IFRS 18.101–102	**Non-current**			
IFRS 18.B109	Pension and other employee obligations	30.3	**11,632**	14,835
IFRS 18.103(o)	Borrowings	23.5	**21,070**	21,265
IFRS 16.47(b)	Lease liabilities	21	**31,194**	33,003
IFRS 18.103 (r) IFRS 18.98	Deferred tax liabilities	24	**2,939**	340
IFRS 18.B109	Contingent consideration	15.1, 33	**620**	–
	Non-current liabilities		**67,455**	69,443
IFRS 18.96 IFRS 18.101	**Current**			
IFRS 5.38 IFRS 18.103(s)	Liabilities included in disposal group classified as held for sale	14	**–**	449
IFRS 18.103(n)	Provisions	31	**1,215**	3,345
IFRS 18.B109	Pension and other employee obligations	30.3	**221**	303
IFRS 18.103(o)	Borrowings	23.5	**4,815**	3,379
IFRS 16.47(b)	Lease liabilities	21	**2,522**	2,506
IFRS 18.103(m)	Trade and other payables	32	**8,497**	6,550
IFRS 18.103(q)	Current tax liabilities		**4,174**	930
IFRS 18.103(o)	Derivative financial instruments	23.4	**–**	160
IFRS 18.B109	Contract and other liabilities	33	**2,658**	3,375
	Current liabilities		**24,102**	20,997
IFRS 18.24	**Total liabilities**		**91,557**	**90,440**
IFRS 18.24	**Total equity and liabilities**		**177,026**	**142,731**

Consolidated statement of changes in equity

For the year ended 31 December 2026
(expressed in thousands of Euroland currency units (CU), 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
IFRS 18.107(c)	**Balance at 1 January 2026**		**12,000**	**3,050**	**470**	**36,179**	**51,699**	**592**	**52,291**
	Dividends	29	–	–	–	(3,000)	(3,000)	–	(3,000)
	Issue of share capital on exercise of employee share options	30.2	270	1,415	–	–	1,685	–	1,685
	Employee share-based compensation	30.2	–	–	–	298	298	–	298
	Issue of share capital on private placement	28.1	1,500	15,180	–	–	16,680	–	16,680
IFRS 18.107(c)(iii)	Transactions with owners		1,770	16,595	–	(2,702)	15,663	–	15,663
IFRS 18.107(c)(i)	Profit for the year		–	–	–	14,737	14,737	121	14,858
IFRS 18.107(c)(ii) IFRS 18.109	Other comprehensive income	28.3	–	–	(24)	2,681	2,657	–	2,657
IFRS 18.107(a)	Total comprehensive income for the year		–	–	(24)	17,418	17,394	121	17,515
	Balance at 31 December 2026		**13,770**	**19,645**	**446**	**50,895**	**84,756**	**713**	**85,469**
IFRS 18.107(c)	**Balance at 1 January 2025**		**12,000**	**3,050**	**888**	**26,997**	**42,935**	**476**	**43,411**
	Employee share-based compensation	30.2	–	–	–	466	466	–	466
IFRS 18.107(c)(iii)	Transactions with owners		–	–	–	466	466	–	466
IFRS 18.107(c)(i)	Profit for the year		–	–	–	11,195	11,195	116	11,311
IFRS 18.107(c)(ii) IFRS 18.109	Other comprehensive income	28.3	–	–	(418)	(2,479)	(2,897)	–	(2,897)
IFRS 18.107(a)	Total comprehensive income for the year		–	–	(418)	8,716	8,298	116	8,414
	Balance at 31 December 2025		**12,000**	**3,050**	**470**	**36,179**	**51,699**	**592**	**52,291**

Guidance note

IFRS 18.107 provides a list of items to be presented in the statement of changes in equity. An entity may either present the required reconciliations for each component of other comprehensive income in the statement of changes in equity, or disclose them in the notes to the financial statements (IFRS 18.109).

The Example Financial Statements disclose the reconciliation of each component of other comprehensive income presented within other components of equity in Note 28.3.

Remeasurements of the net defined benefit liability are recognised in other comprehensive income and are never reclassified to profit or loss in a subsequent period. IAS 19.122 permits an entity to transfer these amounts recognised in other comprehensive income within equity. In these Example Financial Statements, these amounts are presented within retained earnings. Subject to local regulation, it would also be permissible to present them within a separate reserve. The related tax effect is disclosed within the deferred tax movement analysis in Note 24.

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, that is in a separate reserve within equity or within retained earnings. In our view, either approach is allowed to comply with IFRS Accounting Standards (although this may be subject to local regulations in some jurisdictions). In these Example Financial Statements, the changes in equity are credited to retained earnings.

Consolidated statement of cash flows

For the year ended 31 December 2026
(expressed in thousands of Euroland currency units (CU), except per share amounts)

IFRS 18.27(c) IFRS 18.27(d)–(e)		Notes	2026	2025 (restated)
IAS 7.10	**OPERATING ACTIVITIES**			
IAS7.20	Operating profit		**22,974**	18,598
IAS 7.20(b)	Non-cash adjustments	35	**10,140**	8,915
	Contributions to defined benefit plans	30.3	**(1,186)**	(1,273)
IAS 7.20(a)	Net changes in working capital	35	**(2,032)**	4,189
IAS 7.14	Rental income from investment properties	22	**1,066**	1,028
	Settling of derivative financial instruments		**586**	716
IAS 7.35	Taxes paid		**(1,978)**	(7,229)
	Net cash from operating activities		**29,570**	**24,944**
IAS 7.10	**INVESTING ACTIVITIES**			
IAS7.16(a)	Purchase of property, plant and equipment	20	**(76)**	(3,281)
IAS7.16(b)	Proceeds from disposal of property, plant and equipment	20	**86**	–
IAS7.16(a)	Purchase of other intangible assets	19	**(3,666)**	(3,235)
IAS7.16(b)	Proceeds from disposal of other intangible assets	19	**809**	–
IAS7.39	Acquisition of subsidiaries, net of cash acquired	15	**(15,491)**	(12,075)
IAS 7.39	Proceeds from sale of subsidiaries, net of cash sold	14	**3,117**	–
	Proceeds from disposal and redemption of non-derivative financial assets		**196**	73
IAS 7.34A(b)	Interest received		**655**	447
IAS 7.34A(b)	Dividends received	11	**69**	21
IAS 7.35	Taxes paid		**(244)**	(140)
	Net cash used in investing activities		**(14,545)**	**(18,190)**
IAS 7.10	**FINANCING ACTIVITIES**			
IAS 7.17(c)	Proceeds from borrowings	34	**1,449**	8,300
IAS 7.17(d)	Repayment of borrowings and lease liabilities	34	**(5,571)**	(2,147)
IAS7.17(a)	Proceeds from issue of share capital	28.1, 28.2	**18,365**	–
IAS 7.34A(a)	Interest paid	34	**(3,394)**	(3,418)
IAS 7.33A	Dividends paid	29	**(3,000)**	–
	Net cash from financing activities		**7,849**	**2,735**
IAS 7.45	**Net change in cash and cash equivalents**		**22,874**	9,489
	Cash and cash equivalents, beginning of year		**11,141**	1,609
IAS 7.28	Exchange differences on cash and cash equivalents		**60**	43
	Cash and cash equivalents, end of year	27	**34,075**	**11,141**
	Cash and cash equivalents included in disposal group	14	**–**	(22)
IAS 7.45	**Cash and cash equivalents of continuing operations**		**34,075**	**11,119**

Guidance note

Direct or indirect method

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 the use of the direct method, practice varies, and an entity might find it easier to apply the indirect method. These Example Financial Statements present a cash flow statement using the indirect method whereby operating 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, items of operating income or expense associated with investing or financing cash flows, and operating cash flows, such as income tax, for which the corresponding income or expense is not classified as operating in the statement of profit or loss. If the direct method was applied, an entity would disclose major classes of gross cash receipts and gross cash payments.

IFRS 18 amended IAS 7 so that under the indirect method the reconciliation to operating cash flows starts from operating profit or loss (IAS 7.18 and 7.20 as amended). Previously IAS 7 did not specify which subtotal of 'profit or loss' should be reconciled and therefore there was diversity in practice. The **'2025 IFRS Example Consolidated Financial Statements'** illustrated a reconciliation from profit before tax, and therefore as explained in note 3.1.2 the adoption of the amendments resulted in the restatement of the 2025 statement of cash flows.

Discontinued operations

A statement of cash flows is required to present cash flows from total operations, including cash flows from continuing and discontinued operations. These Example Financial Statements do not disaggregate cash flows into cash flows from continuing and discontinued operations on the face of the statement of cash flows. Instead, the net cash flows attributable to the operating, investing and financing activities of discontinued operations are disclosed in the notes (Refer to Note 14). An alternative would be to present the net cash flows attributable to the operating, investing and financing activities of discontinued operations on the face of the statement of cash flows (IFRS 5.33(c)).

Cross referencing

IFRS 18.114 requires each item in the primary financial statements to be cross-referenced to related information in the notes, and requires the note to show which line item its amount is included in. Beyond this formal requirement, reconciling amounts on the statement of cash flows to the notes is generally regarded as good reporting practice, even though it is not explicitly required by either IFRS 18 or IAS 7. On the statement of cash flows, references have only been applied where the note's figures are shown to tie to the cash amount presented, not simply where the two are related. Additions to property, plant and equipment and intangible assets exclude non-cash items such as acquisitions through business combinations, but are still measured on an accruals basis, and tie to the cash figures here because there is no material capital expenditure accrual in either year shown, not because the two will always be equal. The same applies to the disposal proceeds references, which tie to net book value only because there is no gain or loss on disposal in either period. References of this kind should be re-checked each year, not carried forward automatically. Interest received has been left without a reference, since the related note is on an accruals basis and does not tie to cash received in either year shown.

Notes to the IFRS Example Consolidated Financial Statements

Illustrative Corporation Group
For the year ended 31 December 2026
(expressed in thousands of Euroland currency units (CU), except per share amounts)

Guidance note
IFRS 18 sets out the basic principles governing the form and content of financial statements and related notes.

The role of the notes
As explained in the guidance note at the start of the primary financial statements, IFRS 18 establishes different roles for the primary financial statements and the notes, and requires entities to use those roles to determine where information belongs (IFRS 18.15-18).

The notes must 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 Accounting Standards, or necessary to the understanding of the primary financial (IFRS 18.113-114).

Additional disclosures needed to meet the objective of the financial statements
IFRS 18.20 requires an entity to consider whether additional disclosures are needed to enable users of the financial statements to understand the effect of a transaction or other event or condition on the entity's financial position and financial performance, where the specific requirements elsewhere in IFRS Accounting Standards do not, on their own, achieve this. This is a general requirement, not one limited to climate-related matters, though climate change is a common example of where it arises in practice. Where an entity concludes that such a disclosure is needed, that disclosure becomes information required by IFRS Accounting Standards, and so forms part of the notes.

Materiality and judgement
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 Accounting Standard (IFRS 18.19). An entity should apply judgement when determining the best way to disclose information in the notes to the financial statements and should consider how decisions made will impact the understandability and comparability of the financial statements (IFRS 18.114).

Aggregation, disaggregation and structuring the notes
IFRS 18 introduces specific changes that will affect the content of the notes, including revised and more detailed principles for aggregation and disaggregation and labelling of information (IFRS 18.41-43). Together with the roles considerations described above, IFRS 18 clarifies what information belongs in the primary statements as opposed to the notes, and how information disclosed in the notes should be structured. Entities will need to consider the impact of these changes on their existing note disclosures.

IFRS 18 requires the notes to be presented in a systematic manner, with each item in the primary financial statements cross-referenced to any related information in the notes (IFRS 18.114).

IFRS 18.B112 sets out non-exhaustive examples of how this may be achieved, including giving prominence to information the entity considers most important (B112(a)), grouping by measurement basis (B112(b)), or following the order of the line items in the primary statements (B112(c)). These are examples only; none are mandatory, and other approaches, or combinations of approaches, are equally acceptable. These Example Financial Statements broadly follow the approach in B112(c), adapted so that notes applying to more than one primary statement are grouped by theme (such as the Group's structure and changes to it during the year), and notes reconciling a balance sheet item that also gives rise to income statement movements are positioned in the order that balance appears in the statement of financial position. Other disclosures are presented last. There is no required order for the primary statements themselves. These Example Financial Statements are presented in the sequence listed in IFRS 18.10(a)–(d).

The principles governing the ordering and structure of the notes are carried forward from IAS 1 in IFRS 18.B112. However, the implementation of IFRS 18 may provide a useful opportunity for entities to reconsider other aspects of their notes more broadly, such as ordering, format and the integration of accounting policies with related disclosures, with a view to enhancing understandability for their users. 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. Best practice in this area may vary by jurisdiction, and entities should consider the needs of their users and the expectations of their market when determining the most appropriate structure for their notes.

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

1. Nature of operations

IFRS 18.27(a)
IFRS 18.116(b)

The principal activities of Illustrative Corporation Ltd and subsidiaries (the Group) include selling of telecommunications hardware and software, related service, and consulting, including the design, development, and installation of telecommunications systems. These activities are grouped into the Group's three main operating segments as follows:

- **retail** – focusing on the sale of the Group's proprietary hardware and software products and related customisation and integration services.
- **service** – providing fixed-price after-sales maintenance of extended warranty agreements to the Group's retail customers.
- **consulting** – advising companies on telecommunications systems strategies and IT security; providing IT outsourcing services including payroll and accounts payable transaction processing; and providing customers with complete telecommunications systems solutions from design to development and installation. During the year, the Group's former project consulting and construction service lines were combined into this single consulting segment (see Note 6).

Guidance note: The notes to these Example Financial Statements only include disclosures relevant to the fictitious entity Illustrative Corporation Ltd and its subsidiaries, collectively referred to as the Illustrative Corporation Group. IFRS Accounting Standards 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 Accounting Standards, and going concern assumption

Going concern assessment in times of economic uncertainty
IAS 8 contains guidance related to the going concern assumption and outlines when financial statements are prepared on the assumption the entity will continue as a going concern. IAS 8 explicitly states at each reporting date, management is required to assess the entity's ability to continue as a going concern and consider all available information about the future, which is for a period of at least, but not limited to, 12 months from the annual reporting date. Management should consider a wide range of factors, such as: current and expected profitability, debt repayment schedules and potential sources of replacement financing, and their ability to continue to provide services. If management concludes the entity may be liquidated (either by choice or because it has no realistic alternative but to do so) within 12 months from the end of the reporting period, the going concern assumption would not be appropriate and the financial statements may have to be prepared on another basis, such as a liquidation basis. If there is material uncertainty about the entity's ability to continue as a going concern, the entity should include going concern disclosure in the notes to its financial statements.

Because the assessment regarding an entity's ability to continue as a going concern covers a period no less than 12 months from the annual reporting date, all events that occur during an entity's subsequent events period should be considered when evaluating whether there is significant doubt about the entity's ability to continue as a going concern. In other words, even if events during the subsequent events period are not considered adjusting subsequent events, they should still be incorporated into the going concern assessment. Events or conditions that cast significant doubt on an entity's ability to continue as a going concern should also be disclosed if there are material uncertainties or if a significant amount of judgement is involved in reaching the conclusion about whether the going concern assumption is appropriate. IFRS Interpretations Committee (IFRIC) agenda decisions from **July 2010** and **July 2014** should also be taken into consideration here. For further guidance on the disclosure requirements in relation to going concern, please see the **IASB's educational materials on going concern**.

We recommend caution when considering the relevant period of assessment for going concern. There has been modification to the auditing standards at a local level in some jurisdictions, including Australia, New Zealand and the UK. They stipulate the auditor must ensure that management has considered a period of no less than 12 months from the date of approval of the financial statements.

The impact of the current environment of economic uncertainty, arising from geopolitical events and conflict, and changes in individual governments' fiscal and economic policies, including the US tariff regime, can be far reaching and difficult to predict, and as a result it is important to critically assess the potential impact on the entity's ability to continue as a going concern. For examples of disclosures where there is significant doubt about an entity's ability to continue as a going concern, refer to our article '**Changing economic environments**'.

Climate guidance: Climate-related matters may create material uncertainties that cast significant doubts on an entity's ability to continue as a going concern, for instance as a result of environmental regulations that negatively affect its business model. In such circumstances, additional disclosures in the financial statements may be required (see above).

Disclosure of significant judgements made by management may also be required, even when management concluded that no material uncertainty exists, particularly when they relate to the feasibility and effectiveness of planned mitigation measures.

IFRS 18.116(a)
IFRS 18.116(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 8.6B
IFRS 18.27(b)
IAS 8.6K

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards 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, which assumes the Group will be able to discharge its liabilities as they fall due. In confirming the validity of the going concern basis of preparation, the Group has considered the following specific factors:

- the Group reported a profit of CU 14,858 for the year and had an excess of current assets over current liabilities of CU 63,525.
- the Group generated positive operating cash flows of CU 29,570 in the current period.
- as disclosed in Note 38.3, liquidity needs of the Group 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 periods, which is typically 12 months from the date of authorisation of these financial statements.
- management prepares an annual budget and longer-term strategic plan, including an assessment of cash flow requirements, and continues to monitor actual performance against budget and plan throughout the reporting period.

Based on these factors, management has a reasonable expectation that the Group has and will have adequate resources to continue in operational existence for the foreseeable future.

IFRS 18.27(c)
IAS 10.17

The consolidated financial statements for the year ended 31 December 2026 (including comparatives) were approved and authorised for issue by the board of directors on 1 March 2027 (see Note 43). Under the Security Regulations Act of Euroland, amendments to the financial statements are not permitted after approval.

3. New or revised standards or interpretations

Guidance note: The discussion of the initial application of IFRS Accounting Standards only needs to be disclosed 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 2026

Guidance note: Included in this note are amendments that have a significant impact on these Example Financial Statements, and therefore detailed disclosures have been made as required by IAS 8.28. The following new standards and amendments have been applied by the Group for the first time in these consolidated financial statements. IFRS 18 and its consequential amendments to IAS 7 (see Notes 3.1.1 and 3.1.2) have been early adopted for the year ended 31 December 2026, ahead of their mandatory effective date for annual periods commencing on or after 1 January 2027. The remaining amendments (see Notes 3.1.3 and 3.1.4) are mandatorily effective for annual reporting periods beginning on or after 1 January 2026.

3.1.1 IFRS 18 transition reconciliation

IFRS 18.C2
IFRS 18.C3

Guidance note: Changes to presentation arising from IFRS 18
IFRS 18 requires retrospective restatement and qualitative disclosures of the change in accounting policy in accordance with IAS 8. However, instead of presenting the quantitative information set out in IAS 8.28(f), an entity is required to disclose a reconciliation for each line item in the statement of profit or loss for the comparative period between the amounts previously presented in accordance with IAS 1 and the amounts presented to comply with IFRS 18.

IAS 8.28

The Group has adopted IFRS 18 'Presentation and Disclosure in Financial Statements' for the first time in the year ended 31 December 2026. This has been applied retrospectively in accordance with IAS 8 'Basis of Preparation of Financial Statements' (however quantitative disclosure information specified in IAS 8.28(f) is not required). Associated changes to IAS 7 'Statement of Cash Flows' have resulted in the restatement of the statement of cash flows, in order to present the statement of cash flows starting from IFRS 18 operating profit, and to reclassify capitalised interest paid from investing to financing activities (see Note 3.1.2). Changes to other standards resulting from the adoption of IFRS 18 have not had a material impact on these financial statements.

IFRS 18 has introduced three new defined categories in the statement of profit or loss, being operating, investing and financing income and expenditure, and requires additional subtotals to be presented. Management have classified income and expenses on the basis the Group does not have a specified main business activity of either investing in assets or providing finance to customers. As a result of applying IFRS 18 the following adjustments have been made to the presentation of the statement of profit or loss for the year ended 31 December 2025:

Reconciliation of the consolidated statement of profit or loss for the year ended 31 December 2025:

IFRS 18.C3

	Amounts previously presented applying IAS 1	Note	Adjustment	Restated amounts applying IFRS 18
Revenue	190,516	A	**(1,028)**	189,488
Hedging gains and losses	712		**–**	712
Costs of sales	(103,918)		**–**	(103,918)
Gross profit	**87,310**		**(1,028)**	**86,282**
Other income	708	E	**(708)**	–
Distribution costs	(11,537)		**–**	(11,537)
Administrative expenses	(56,434)	B, G	**945**	(55,489)
Reversal of restructuring provision/(restructuring expenses)	–	B	**(980)**	(980)
Research and development costs	(1,015)		**–**	(1,015)
Change in fair value of investment property	175	A	**(175)**	–
Goodwill impairment loss	–	B	**(190)**	(190)
Impairment losses on financial assets and contract assets	(228)	G	**228**	–
Other operating income and gains	–	D, E	**1,033**	1,033
Foreign exchange on trading transactions	–	F	**1,164**	1,164
Other expenses	(670)	C	**670**	–
Other operating expenses	–	C	**(670)**	(670)
Operating profit	**18,309**		**289**	**18,598**
Share of profit from equity accounted investments	141		**–**	141
Income from investment property	–	A	**1,203**	1,203
Fair value movements and income on financial investments	–	G, H	**485**	485
Profit before financing and income taxes	**18,450**		**1,977**	**20,427**
Interest expenses on pension liability	–	I	**(549)**	(549)
Interest expenses on borrowings and lease liabilities	–	I	**(3,284)**	(3,284)
Foreign exchange on borrowings	–	I	**(70)**	(70)
Finance costs	(3,993)	H, I	**3,993**	–
Finance income	885	D, H	**(885)**	–
Other financial items	1,182	F, H	**(1,182)**	–
Profit before tax	**16,524**		**–**	**16,524**
Tax expense	(4,888)		**–**	(4,888)
Profit for the year from continuing operations	**11,636**		**–**	**11,636**
Loss for the year from discontinued operations	(325)		**–**	(325)
Profit for the year	**11,311**		**–**	**11,311**

Notes to the reconciliation

IFRS 18.53(c)
IFRS 18.54
IFRS 18.B46
IFRS 18.B25

A Income from investment property

In the statement of profit or loss prepared in accordance with IAS 1 'Presentation of Financial Statements', the Group presented rental income from investment property (2025: CU 1,028) within revenue, and presented changes in the fair value of investment property (2025: CU 175) as a separate line item above operating profit. Income and fair value movements on the investment property have been reclassified under IFRS 18 into a new aggregated line item within the investing category labelled 'Income from investment property'. These items are classified in the investing category under IFRS 18 as the investment property generates independent cash flows and the Group does not invest in assets as a main business activity. The aggregation of income and fair value movements on the investment property is considered to present a useful structured summary, and the labelling of these items describes the material element, being income from the investment properties.

IFRS 18.41
IFRS 18.78-79

B Mixed presentation, restructuring and goodwill impairment

The Group has concluded that a mixed presentation of expenses by nature and by function provides the most useful structured summary. Presenting expenses by function most closely represents how management reports internally, and is standard practice in the industry. Cost of sales is a key driver of profitability for the Group. Gross profit is used for internal monitoring purposes, and is a key measure used by investors for benchmarking in the industry. In addition, restructuring expenses are considered to be different in nature from general administrative costs and therefore have been presented separately. Goodwill impairment is presented separately on the basis any allocation by function would be arbitrary.

IFRS 18.B26
IFRS 18.B49(f)

C Other operating expenses

Other expenses (2025: CU 670) have been relabelled 'Other operating expenses' to better reflect their nature. Other operating expenses consist of individual items for which information is not material, with the largest amount relating to the settlement of pre-existing relationships on a business combination (2025: CU 450, see Note 15.2). In the current year (2026), the change in fair value of contingent consideration of CU 20 (2025: nil) has also been reclassified from finance costs to other operating expenses, as IFRS 18.B49(f) requires income and expenses arising on a business combination, including remeasurements of contingent consideration, to be classified in the operating category. This reclassification does not affect the comparative period (2025: nil).

IFRS 18.B70
IFRS 18.B72
IFRS 18.41

D Other operating income and gains, fair value gains on forward exchange contracts held for trading

Fair value gains on forward exchange contracts held for trading (2025: CU 325) have been reclassified from finance income to the new aggregated line item, 'Other operating income and gains'. On the basis the forward exchange contracts are held to economically hedge forecast foreign currency sales, the gains have been classified in the operating category. Disaggregation of other operating income and gains on the face of the consolidated statement of profit or loss is not considered necessary to provide a useful structured summary; the disaggregated amounts are disclosed in Note 9.

Guidance notes on the transition disclosures

IFRS 18.54

Guidance note: Operating costs associated with investment property
As the Group does not invest in assets as a main business activity, specific income and expenses associated with the investment property are required to be classified in the investing category in accordance with IFRS 18 (as described in Note A above). Specifically, IFRS 18 requires income generated by the assets, income and expenses that arise from the measurement of the assets (including on derecognition), and the incremental expenses directly attributable to the acquisition and disposal of the assets to be classified in the investing category. As this list does not include all costs associated with the investment property (IFRS 18.BC109), some costs associated with an investment property, such as the payment of business rates, will be classified in the operating category. The Group continues to classify these amounts as administrative expenses under IFRS 18.

IFRS 18.B49(f)
IFRS 18.52

Guidance note: Income and expenses arising on a business combination
IFRS 18 requires income and expenses arising on a business combination (that includes assets that will give rise to income and expenses that will be classified in the operating category) to be classified within the operating category. The Example Financial Statements include gains and losses relating to the remeasurement of contingent consideration on a business combination, and the settlement of a pre-existing relationship on a business combination (Note 15). IFRS 18 specifically refers to a gain on a bargain purchase and remeasurements of contingent consideration as items that are included in the operating category. IFRS 18 does not explicitly refer to the settlement of pre-existing relationships on a business combination, but classification in the operating category is considered to be appropriate, as this is both consistent with the classification of other income and expenses arising on a business combination, and consistent with the general principle in IFRS 18 that the operating category is the default category for income and expenses that do not meet the criteria for classification into one of the other categories.

Notes to the reconciliation (continued)

IFRS 18.B26
IFRS 18.41

E Other operating income and gains, other income

Other income (2025: CU 708) has been aggregated into other operating income and gains, on the basis the description better reflects the operating nature of this income. Disaggregation of these amounts on the face of the consolidated statement of profit or loss is not considered necessary to provide a useful structured summary; further information about these amounts is given in Note 9. Other income consists of individual items for which information is not material, with the largest amount relating to compensation received on settlement of a legal claim against a former supplier (2025: CU 400).

IFRS 18.B65
IFRS 18.41

F Foreign exchange on trading transactions

The gain from other exchange differences (2025: CU 1,164) has been reclassified from other financial items to a new separate line item, 'Foreign exchange on trading transactions'. This is classified in the operating category, as it relates to foreign currency gains and losses on trade payables and receivables where the associated income and expenses related to the balances are classified as operating.

IFRS 18.75(b)(ii)
IFRS 18.B25a
IFRS 18.41

G Impairment of financial instruments

IFRS 18 requires the presentation of a line item (or line items) presenting impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9 'Financial Instruments', where necessary to present a useful structured summary. The amount presented as impairment losses on financial assets and contract assets in accordance with IAS 1 is made up of amounts that relate to debt investments (assets generating a return individually and largely independently of the Group's other resources), which are classified in the investing category (2025: CU 3) in accordance with IFRS 18, and amounts that relate to trade receivables and contract assets, which are classified in the operating category (2025: CU 225) in accordance with IFRS 18. As the impairment losses in relation to debt investments are immaterial, these have been aggregated with fair value movements and income on financial investments, and as the immaterial information in relation to impairment of debt investments is not considered to obscure the fair value movements and income on financial investments figure, the label 'Fair value movements and income on financial investments' has been used. Impairment losses on trade receivables and contract assets have not been presented separately on the basis this is not necessary in order to present a useful structured summary, given impairment of financial assets is not considered to be subject to significant measurement uncertainty, and therefore separate presentation does not provide useful information to users. Instead, disclosure is made only in the notes. They are therefore aggregated into administrative expenses.

IFRS 18.53-54
IFRS 18.B46-B47

H Fair value movements and income on financial investments

Individually immaterial fair value gains and losses on investments, dividend and interest income on equity investments and cash and cash equivalents (totalling CU 488) have been reclassified from finance income and costs and other financial items to a new aggregated line item 'Fair value movements and income on financial investments'. These are classified in the investing category under IFRS 18 as they relate to income and fair value movements from cash and cash equivalents and other assets that generate a return individually and largely independently of the Group's other resources.

Guidance notes on the transition disclosures (continued)

IFRS 18.B65-B68
IFRS 18.B48-B49
IFRS 18.B53-B55

Guidance note: Classification of foreign exchange differences
Foreign exchange differences are included in the same category in the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences, unless doing so would involve undue cost or effort. The undue cost and effort exemption is assessed for each item giving rise to foreign exchange differences. If the exemption applies, foreign exchange gains and losses from the relevant item are classified in the operating category. The Example Financial Statements illustrate a straight-forward situation where foreign exchange gains and losses only relate to foreign currency trade receivables, to foreign currency trade payables where the purchases are not made on extended credit terms and therefore do not include a financing element, and to foreign currency borrowings, where the related expenses are entirely classified in the financing category. As the foreign exchange gains and losses in relation to trade receivables and payable solely relate to income and expenses classified in the operating category, they are also classified as operating. Similarly, the foreign currency gains and losses in relation to borrowings solely relate to income and expenses classified in the financing category, and are classified in financing. However, in more complex situations where foreign currency gains or losses relate to transactions that do not involve only the raising of finance such as foreign currency purchases on extended credit terms, classification requires more judgement. The exchange gain or loss from a transaction that does not involve only the raising of finance cannot be split between categories. Therefore, unless the undue cost and effort exemption applies, judgement will be required to determine whether the foreign exchange difference relates to the amounts classified in financing (the interest expense) or the amount classified in another category (eg the purchased goods or services classified in operating).

IAS 21.52(a)
IFRS 7.20(a)(i)

Guidance note: Presentation and disclosure of foreign exchange differences
IAS 21.52(a) requires disclosure of the amount of exchange differences recognised in profit or loss, other than those forming part of the fair value gain or loss on a financial instrument measured at fair value through profit or loss.

The fair value gain on forward exchange contracts held for trading is a re-measurement of a derivative financial instrument, disclosed under IFRS 7.20(a)(i), not an exchange difference within the scope of IAS 21.52(a). It is therefore presented within 'Other operating income and gains' rather than with the Group's other foreign exchange differences, and disaggregated in Note 9.

The Group's remaining foreign exchange differences are material and different in nature from the other income and expenses relating to the transactions that give rise to them, such as interest, revenue and purchase costs. They are therefore presented separately: 'Foreign exchange on trading transactions' within operating profit, and 'Foreign exchange on borrowings' within financing activities. Together with the supporting detail in Note 10.2, this satisfies the disclosure required by IAS 21.52(a).

Notes to the reconciliation (continued)

IFRS 18.B78e
IFRS 18.56-61
IFRS 18.B50-B55
IFRS 18.B65

I **Interest on pensions, borrowings and lease liabilities, and foreign exchange on borrowings**
Interest expenses on pension liability (2025: CU 549), interest expenses on borrowings and lease liabilities (2025: CU 3,284), and foreign exchange on bank borrowings (2025: CU 70) were previously included within a finance costs line item in accordance with IAS 1. Information about these amounts is considered to be material. Disaggregation of the interest on the defined benefit pension liability, separate from interest on borrowings and lease liabilities on the face of the consolidated statement of profit or loss is considered necessary for the purposes of giving a useful structured summary, given the sufficiently dissimilar risks associated with the underlying items. As interest on lease liabilities and borrowings are both considered to represent the cost to the business of raising finance, they have been aggregated in the income statement, with further disaggregation provided in the notes. IFRS 18 requires the interest expenses on borrowings (liabilities arising on transactions that involve only the raising of finance) to be classified in the financing category. The foreign exchange gains and losses on bank borrowings are also classified in financing, based on the principle that foreign exchange gains and losses should be classified in the same category as the income and expenses from the items that gave rise to the foreign exchange differences. The interest expenses on the lease liabilities and pension assets (liabilities that arise from transactions that do not involve only the raising of finance) are also classified as financing in accordance with IFRS 18. Information about the foreign exchange loss on borrowings, CU 100 (2025: CU 70), is considered material and as this is considered to be dissimilar in nature to the interest expense, it has been presented as a separate line item, 'Foreign exchange on borrowings', rather than aggregated within interest expense.

Guidance notes on the transition disclosures (continued)

IFRS 18.59
IFRS 18.41(c)
IFRS 18.41(d)

Guidance note: Interest on borrowings, leases and pensions
Complying with IAS 1, interest on borrowings, lease liabilities and the net defined benefit liability were all included within a single finance costs line. IFRS 18 requires items with shared characteristics to be aggregated, and items with dissimilar characteristics to be disaggregated, in order to provide a useful structured summary. Pension interest is now presented separately, as it has different characteristics from interest on borrowings and lease liabilities: it arises from a net actuarial position rather than a discrete financing instrument, and its measurement includes actuarial assumptions. Interest on borrowings and on lease liabilities remains combined, as both share the characteristic of representing the cost to the Group of accessing external finance; the disaggregated amounts are nonetheless material and are disclosed separately in Note 10. This presentation is consistent with the approach illustrated in the IASB's own illustrative examples accompanying IFRS 18. Determining the appropriate level of disaggregation necessarily involves judgement, having regard to an entity's own facts and circumstances, and other entities may reach a different conclusion.

IFRS 18.B50-B55

Guidance note: Income and expenses from liabilities that arise from transactions that do not involve only the raising of finance
IFRS 18 requires interest income and expenses, as well as income and expenses resulting from changes in interest rates on liabilities that arise from transactions that do not involve only the raising of finance to be classified in the financing category. Other income and expenses arising from these liabilities must be classified in the operating category. This means that, for example, the current and past service cost in relation to a defined benefit pension scheme would be classified in the operating category in accordance with IFRS 18.

IFRS 18.75
IFRS 18.103
IFRS 18.15-19
IFRS 18.B8

Guidance note: Separate presentation of line items or subtotals required by IFRS Accounting Standards

IFRS Accounting Standards require certain subtotals and line items to be separately presented in the primary financial statements. However, IFRS 18 clarifies that this is only required where this is necessary to provide a useful structured summary. If an entity does not separately present the 'required' line items in the statement of profit or loss, the items must be disclosed in the notes if the resulting information is material. If information about a 'required' line item is not material (either by nature or amount), the specific requirement to present or disclose it separately does not apply. We illustrate considerations for two such 'required' line items below, however the same considerations will apply to all such 'required' items.

Impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9 'Financial Instruments'

IFRS 18 requires presentation of a line item (or line items) in the statement of profit or loss for IFRS 9 impairment losses. In the Example Financial Statements, the Group does not present IFRS 9 impairment losses separately on the face of the statement of profit or loss, illustrating a situation where separate presentation is not considered to present a useful structured summary. However, we note that for some entities, separate presentation on the face of the statement of profit or loss may be necessary for the purposes of presenting a useful structured summary. For example, if IFRS 9 impairment losses are subject to significant measurement uncertainty, or are highly material, management might instead conclude that separate presentation contributes to a useful structured summary.

Share of the profit or loss of associates and joint ventures accounted for using the equity method

IFRS 18 requires the share of profit or loss from associates and joint ventures accounted for using the equity method to be presented as a line item in the statement of profit or loss. In the Example Financial Statements, for illustrative purposes, it has been assumed that the share of profit from equity accounted investments is material. On the basis users analyse income and expenses from equity accounted associates and joint ventures separately from all other income and expenses because of its different measurement basis, presentation as a separate line item has been deemed to be necessary for the purposes of presenting a useful structured summary. However, depending on the importance of the equity accounted investments to the Group, and the needs of the users of the financial statements, other entities may determine that separate presentation does not assist in presenting a useful structured summary, and therefore disclosure of material information in the notes is appropriate.

IFRS 18.103(d)

Guidance note: Amendments to the statement of financial position

IFRS 18 introduces a new requirement to present goodwill separately from other intangible assets on the face of the statement of financial position. As this presentation had already been adopted in the prior year financial statements prepared using IAS 1, no changes have been made on transition to IFRS 18.

IFRS 18.16
IFRS 18.41-43
IFRS 18.106
IFRS 18.B109-B111

In addition, no changes have been made to the presentation of the statement of financial position having given consideration to the principle set out in IFRS 18 that the role of the primary statements is to provide a useful structured summary, and to the revised principles in relation to aggregation and disaggregation. Whether an entity's existing statement of financial position presentation requires revising will require management judgement based on an assessment of the nature of the entity and its transactions, and the nature or function of the entity's assets and liabilities.

3.1.2 IAS 7 amendments arising from IFRS 18

IAS 7.18(b)
IAS 7.33A
IAS 7.34A
IAS 7.34B-D

Guidance note: Amendments to IAS 7
Some limited changes have been made to IAS 7 as a result of the amendments to IFRS 18. However, these changes do not align the definitions of operating, financing or investing cash flows in IAS 7 with the new income and expenditure categories in IFRS 18. The key amendments made to IAS 7 are:

- where the indirect method is used to report cash flows from operating activities, the cash flow statement must now start with operating profit;
- the changes also remove much of the management judgement in relation to the classification of interest and dividend cash flows. Where an entity does not have a specified main business activity, interest and dividend cash flows must be classified as follows:

Dividends paid	Cash flows from financing activities
Dividends received	Cash flows from investing activities
Interest paid (regardless of whether expensed or capitalised in accordance with IAS 23)	Cash flows from financing activities
Interest received	Cash flows from investing activities

The existing classification of interest received and dividend cash flows in the Group's consolidated statement of cash flows is already consistent with these amendments. However, the Group previously classified capitalised borrowing costs within investing activities, aligned with the classification of the related asset additions. For an entity without a specified main business activity, IAS 7 as amended requires total interest paid to be classified within financing activities, regardless of whether the interest is expensed or capitalised in accordance with IAS 23 'Borrowing Costs'. Therefore, following the amendments to IAS 7, CU 80 (2025: CU 78) of interest paid has been reclassified from investing activities to financing activities. Comparative amounts have been restated accordingly. The only other change made to the statement of cash flows as a result of these amendments is to the reconciliation of operating cash flows, which now reconciles from IFRS 18 operating profit rather than profit before tax (see below).

Guidance note: Aggregation and disaggregation of cash flows
No further changes have been made to the presentation of the consolidated statement of cash flows, having given consideration to the principles set out in IFRS 18 in relation to aggregation and disaggregation, the role of the primary statements and notes, and the descriptions of items. Whether an entity's existing presentation requires revising will require management judgement based on the nature of the entity and the characteristics of its cash flows.

IAS 8.28

The Group has applied the amendments made by IFRS 18 to IAS 7 for the first time in the year ended 31 December 2026. These amendments apply when the Group applies IFRS 18 and have been applied retrospectively in accordance with IAS 8. The consolidated statement of cash flows has been restated for the comparative period, both to reconcile operating cash flows to IFRS 18 operating profit instead of profit before tax, and to reclassify capitalised interest paid from investing to financing activities. The effect on the line items in the consolidated statement of cash flows for the years ended 31 December 2026 and 2025 is as follows:

Reconciliation of operating cash flows to IFRS 18 operating profit:

	Effect on 2026	Effect on 2025
Difference between profit before tax under IAS 1 and IFRS 18 operating profit	**1,313**	2,074
Non-cash adjustments	**(2,379)**	(3,102)
Rental income from investment properties	**1,066**	1,028

IAS 8.28

Because the Group does not have a specified main business activity of investing in assets or providing financing to customers, income and expenses classified in the investing and financing categories in accordance with IFRS 18 (eg interest and dividends received and paid), are excluded from operating profit and are therefore no longer required to be adjusted for in reconciling to operating cash flows. Using the previous approach, which started from profit before tax, these items were adjusted for as reconciling items to arrive at cash flows from operating activities.

IAS 8.28

Rental income from investment property is classified in the investing category in the statement of profit or loss and is therefore not included within operating profit. As the Group continues to present the related cash receipts within operating activities in the consolidated statement of cash flows, this amount is included as a reconciling item. This difference arises as the definitions of operating, financing or investing cash flows in IAS 7 do not align with the new income and expenditure categories in IFRS 18. Using the previous approach, which started from profit before tax, no separate adjustment was required as the amount was already included within that figure.

Reclassification of interest paid between investing and financing activities:

	Effect on 2026	Effect on 2025
Interest paid (decrease in net cash from financing activities)	**(80)**	(78)
Purchase of other intangible assets (decrease in net cash used in investing activities)	**80**	78

IAS 7.32
IAS 7.34A(a)

For an entity without a specified main business activity, IAS 7 as amended requires total interest paid to be classified within financing activities, regardless of whether the interest is expensed or capitalised in accordance with IAS 23 'Borrowing Costs'. The Group previously classified capitalised borrowing costs within investing activities, aligned with the classification of the related asset additions. Following the amendments to IAS 7, CU 80 (2025: CU 78) of interest paid, previously included within investing activities within purchase of other intangible assets, has been reclassified to financing activities, and comparative amounts have been restated accordingly.

3.1.3 Classification and Measurement of Financial Instruments (amendments to IFRS 9 and IFRS 7)

Guidance note: Although adopting the 'Amendments to the Classification and Measurement of Financial Instruments' has had no impact on the Group's financial statements, the Group has disclosed its policy choice on the basis that the decision not to adopt the additional optionality introduced by the amendments (early derecognition of a financial liability settled by electronic payment) is considered material information for users of these financial statements. Whether such a policy choice is considered material, and the level of disclosure required, will depend on an entity's own facts and circumstances.

An illustrative alternative policy, for an entity that elects to derecognise financial liabilities settled by electronic payment before the settlement date, is set out in the guidance note to Note 4.19.

These May 2024 amendments also clarified the assessment of contractual cash flow characteristics of financial assets, including those with ESG-linked features, non-recourse features, and those that are contractually linked instruments. The Group's financial assets do not include instruments with these features, and these amendments have therefore not affected the classification of the Group's financial assets. These amendments may be more relevant to entities, particularly financial institutions, that hold financial assets with such features.

IAS 8.28 These amendments address, among other things, when a financial liability settled by electronic payment may be derecognised. The amendments permit derecognition before the settlement date if specified conditions are met.

IFRS 9.7.2.47–7.2.48 The Group has adopted the default treatment of derecognising financial liabilities settled by electronic payment on the settlement date, which is consistent with the Group's existing practice (see Note 4.19).

IFRS 7.44MM Accordingly, adoption of these amendments has had no impact on the Group's financial statements.

3.1.4 Contracts Referencing Nature-dependent Electricity (amendments to IFRS 9 and IFRS 7)

IAS 8.28 These amendments introduce specific guidance on the application of the own-use exemption in IFRS 9 to contracts to purchase electricity generated from nature-dependent sources. They also introduce new disclosure requirements in IFRS 7 'Financial Instruments: Disclosures' for contracts accounted for under the own-use exemption on this basis.

IFRS 9.7.2.51 In 2026, the Group entered into a power purchase agreement (PPA) to purchase electricity generated by a wind farm (see Note 39). The PPA has been assessed as meeting the own-use exemption under the amended IFRS 9 guidance and is accordingly not accounted for as a derivative. As the PPA was entered into on 1 January 2026, there is no restatement of comparative financial statements.

IFRS 7.30A The new IFRS 7.30A disclosure requirements are applied prospectively from that date. The effect on the Group's 2026 financial statements is as follows:

- The cost incurred of electricity purchased under the PPA (CU 560) and the cost of purchasing electricity from the grid to offset sales of unused electricity (CU 162) (see Note 39) were capitalised into inventories in the year.
- Other operating income includes CU 68 in respect of proceeds from sales of unused electricity (see Note 39).
- Unrecognised contractual commitments of CU 5,040 are disclosed in Note 39.

IFRS 7.44PP
- No derivative financial liability is recognised in the statement of financial position.

Guidance note: In addition to the amendments described above, 'Annual Improvements to IFRS Accounting Standards—Volume 11' also became effective for accounting periods beginning on or after 1 January 2026 and could be applicable to the Group. IAS 8.28 requires an entity to disclose detailed information about a new accounting policy only where it has an effect on the current or prior period, or would be expected to affect future periods. Where there is no significant impact, detailed disclosure is not required, and providing it may in fact contribute to disclosure overload. This amendment does not have a significant impact on these Example Financial Statements and therefore no disclosure has been made in respect of it. The Annual Improvements amendments are narrow-scope clarifications to existing requirements and are not expected to have a significant impact on most entities. However, an entity should still assess the anticipated impact of these amendments on its own financial statements based on its 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 an entity to disclose standards issued but not yet effective that they will apply in the future. As part of this disclosure an entity must provide known or reasonably estimable information relevant to assessing the possible impact the new IFRS Accounting Standards will have on their financial statements in the period of initial application. For new or amended IFRS Accounting Standards or interpretations that are expected to have a material impact, entities should consider disclosing the title of the new IFRS Accounting Standard, the nature of the expected change in accounting policy, the effective date of the standard, the date at which the entity intends to first apply the standard, and either a discussion of the impact that initial application is expected to have on the entity's financial statements or, if that impact is not known or reasonably estimable, a statement to that effect (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.

Some example wording is as follows:

'The Group has early adopted IFRS 18 for the period ended 31 December 2026, ahead of its mandatory effective date for annual periods commencing on or after 1 January 2027. IFRS 18 has been applied retrospectively with specific transitional provisions; see Note 3.1.1 for further detail. Other standards and amendments that are not yet effective and have not been adopted early by the Group include:

- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Amendments to IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Amendment to IAS 21 'Translation to a Hyperinflationary Presentation Currency'
- IFRS 20 'Regulatory Assets and Regulatory Liabilities'.'

None of these standards or amendments is expected to have a significant impact on these Example Financial Statements. However, while they do not affect these Example Financial Statements, they will impact some entities. An entity should assess the anticipated impact of these new standards and amendments on their financial statements based on their own facts and circumstances and make appropriate disclosures.

IAS 8.30
IAS 8.31

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB or IFRS Interpretations Committee (IFRIC). Other than IFRS 18 (early adopted, as noted above), none of these standards or amendments to existing standards have been adopted early by the Group, and no interpretations have been issued that are applicable and need to be taken into consideration by the Group at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement and are not expected to have a material impact on the Group's consolidated financial statements.

4. Material accounting policies

Guidance note: An entity should disclose its material accounting policies. The guidance in IAS 8.27A states that accounting policies are material and must be disclosed if they can reasonably be expected to influence the decisions of users of the financial statements. Additionally:

a accounting policies related to quantitatively immaterial transactions or events may need to be disclosed due to the nature of the transaction, event, or condition (IAS 8.27B)
b if a user of the financial statements would need information on an accounting policy in order to understand other material information in the financial statements, the accounting policy would be considered material (IAS 8.27C)
c information specific to the entity and how they have applied IFRS requirements to their own circumstances is more useful than standardised information (IAS 8.27D)
d if immaterial information is disclosed, it must not obscure material accounting policy information (IAS 8.27E)
e if an entity concludes that an accounting policy is not material, this does not change the disclosures required by other IFRS Accounting Standards (IAS 8.27F)

Deciding which accounting policies are material requires judgement. As noted in (a) above, the nature of the facts and circumstances surrounding a specific transaction may cause an accounting policy to be qualitatively material even if the amounts involved are not material.

In accordance with IAS 8.27C, accounting policy information is likely to be material if it relates to a material transaction, event or condition, and:

- the entity has changed its accounting policy during the reported period and this resulted in a material change to financial statement information
- the policy was selected among alternatives provided by the relevant standard
- the policy was developed for a type of transaction not covered by IFRS Accounting Standards
- there was significant judgement, or estimation uncertainty; involved in applying the policy, or
- the accounting is complex and disclosing the policy would assist users in understanding particular material transactions or events.

We recommend an entity makes 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 Accounting Standards' requirements and the business, and
- state if an accounting policy choice was made from the standard and why this choice was made.

4.1 Basis of preparation

IAS 8.6M
IFRS 18.27(d)–(e)
IFRS 18.B11

The Group's consolidated financial statements have been prepared on an accruals 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
IFRS 18.27(c)

The Group's financial statements consolidate those of the parent company and all of its subsidiaries at 31 December 2026. All subsidiaries have a reporting date of 31 December.

IAS 8.27A-27C

Guidance note: IAS 8 requires an entity to disclose material accounting policy information, rather than standardised information or information that only duplicates or summarises the requirements of an IFRS Accounting Standard. IAS 8 sets out examples of circumstances in which accounting policy information is likely to be material, for example where the entity has changed its accounting policy during the period with a material effect, has chosen a policy from a range of permitted options, has developed a policy in the absence of a specific IFRS Accounting Standard, involves significant judgement or estimation that the entity separately discloses, or is complex enough that users would not otherwise understand the underlying transactions. The Group assessed its basis of consolidation policy note against these criteria and concluded that some of the information that was previously disclosed duplicates or summarises the requirements of IFRS 10 'Consolidated Financial Statements'. That information has therefore been excluded from the note; for comparison, the excluded text is reproduced below.

IFRS 10.B92
IFRS 18.27(c)

'The Group's financial statements consolidate those of the parent company and all of its subsidiaries at 31 December 2026. 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 Climate-related matters

Climate guidance: The inclusion of material information about climate-related matters, together with an explanation of management's assessment of their effects on the financial statements is important to enable users to understand how climate-related risks and opportunities affect the reporting entity's financial performance, financial position, and cash flows. Information may relate to both current effects and expected future consequences to the extent relevant to understanding the financial statements.

Even when the effects of climate-related matters are quantitatively insignificant at the reporting date, entities should consider both quantitative and qualitative factors in assessing whether information is material. In particular, management should consider whether information provided outside the financial statements, such as climate-related commitments or transition plans, could lead users to expect climate-related effects to be reflected in the financial statements.

In some circumstances, it may be appropriate to explain why management has concluded that climate-related matters have had no material effect on amounts recognised or disclosed in the financial statements. Climate-related information may be material because of its nature, even when the related amounts are not quantitatively material, particularly when it relates to significant transition plans, key climate-related assumptions or long-term obligations.

For example, where an entity operates in an industry that is significantly exposed to climate-related risks, users of the financial statements may reasonably expect those risks to affect the entity's financial position or financial performance. In some circumstances, it may be appropriate to explain why management has concluded that climate-related matters have had no effect, or no material effect, on amounts recognised or disclosed in the financial statements.

Climate guidance continued: Entities should provide information about the significant assumptions, judgements and estimates affected by climate-related matters. This may include assumptions used in impairment testing, expected credit loss models, provisions, useful lives of assets or other areas involving estimation uncertainty. Major sources of estimation uncertainty should also be disclosed (eg uncertainties related to changes in environmental regulations).

Such disclosures may arise from specific disclosure requirements in IFRS Accounting Standards, including IAS 36 'Impairment of Assets', IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', IFRS 7 'Financial Instruments: Disclosures', and from the general disclosure requirements in IAS 8 about assumptions made and other major sources of estimation uncertainty. In addition, applying IFRS 18.20, an entity must provide additional information when compliance with specific requirements of IFRS Accounting Standards is insufficient to enable users of financial statements to understand the effects of transactions, other events and conditions on the entity's financial position and financial performance. In some circumstances, this may include explaining why climate-related matters have not affected amounts recognised in the financial statements.

Materiality judgements used in determining what information to disclose should be reassessed at each reporting date, considering changes in the entity's environment.

The effects of climate-related risks on financial statements are entity specific and may be pervasive throughout the financial statements. The level of disclosures required will depend on the business of the entity, its organisation, sector, geographical localisation, commitments made, etc.

Information provided in the financial statements should be considered together with information provided in other general purpose financial reports. Entities should assess whether additional explanations are needed to address any apparent inconsistencies between the financial statements and information provided elsewhere. However, information that is material for the financial statements may differ from information that is material for sustainability-related disclosures because these reports have different objectives and information needs.

Accounting for carbon credits and other environmental credits
IFRS Accounting Standards do not currently contain specific requirements addressing the accounting for carbon credits, emission allowances or other environmental credits, whether acquired under compliance schemes (such as cap-and-trade arrangements) or voluntary offset programmes.

In March 2025, the IFRIC decided not to add a standard-setting project on the accounting for carbon credits to its agenda, noting that the IASB was already researching pollutant pricing mechanisms, including carbon credits.

When material, entities should disclose the accounting policies applied, including the recognition, measurement and presentation of carbon credits, emission allowances and related obligations. Entities should also consider providing information about significant judgements and estimates involved, together with information necessary for users to understand the impact of these arrangements on the statement of financial position, statement of profit or loss and cash flows.

Depending on the nature of the scheme, useful disclosures may include quantitative information about emission allowances or carbon credits granted, purchased, held, consumed, surrendered, sold or otherwise transferred during the reporting period.

IAS 8.27A
IFRS 18.113
IAS 8.31A

Risks induced by climate changes may have future adverse effects on the Group's business activities. These risks include transition risks (eg regulatory changes and reputational risks) and physical risks (even if the risk of physical damage is low due to the company activities and geographical locations). How the Group operates its businesses may be affected by new regulatory constraints on the CO2 emissions it generates via the data centres that the Group operates in several jurisdictions. Energy consumption of data centres is high, and the Group is currently implementing new technology solutions to reduce the level of energy needed, particularly in the area of maintaining the maximum protection possible for its critical IT infrastructure (through using highly efficient evaporative cooling solutions). The Group has indicated it is committed to sourcing 100% of its energy needs from renewable resources, no later than 2035. To achieve this goal, the Group is considering projects to install solar heating systems in all its offices around the world because using renewable energy should eventually lead to much lower energy costs.

The Group is also committed to reducing the carbon footprint of its employees by updating its business trip policies and minimising its use of air-freight travel. Management notes the cost of production of computer and telecommunications hardware could increase significantly in the future, due to the increasing price of commodities which in turn could affect the operational results of the Group (decrease in sales and/or of the gross margin of the retail segment). The Group could also be subject to new environmental taxes as a retailer of low recyclable hardware.

As part of its actions against climate change, the Group is committed to reduce its carbon emissions by 50% by 2031 and to be carbon neutral no later than 2050. Please refer to the management report[1] for further information on climate risk and any commitments made by the Group to address it.

Consistent with the prior year, as at 31 December 2026, the Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's financial statements. Management continuously assesses the impact of climate-related matters.

The Group's financial statements integrate climate-related matters in various items. Notably the Group's commitments to reduce carbon emissions were considered when performing impairment tests and assessing the useful life of its non-current assets (for more details on these specific impacts, please refer to Note 18 – Goodwill, Note 20 – Property, plant and equipment and Note 37 – Contingent liabilities). The Group also considered whether applying IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' for its climate-related commitments would result in recognition of a liability (see Note 31 – Provisions).

Assumptions could change in the future in response to forthcoming environmental regulations, new commitments taken and changing consumer demand. These changes, if not anticipated, could have an impact on the Group's future cash flows, financial performance and financial position.

4.4 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. Under IFRS 18, acquisition-related transaction costs (such as legal and advisory fees) are classified within the operating category and presented within administrative expenses. Other costs arising on a business combination, such as the subsequent remeasurement of contingent consideration, are also classified within the operating category but are presented within other operating expenses, reflecting their different nature (see Note 15.1).

IFRS 18.52
IFRS 18.B49(f)
IFRS 18.B55(c)
IFRS 18.BC109

IFRS 3.42

If the Group acquires a controlling interest in a business in which it previously held an equity interest, that equity interest is remeasured to fair value at the acquisition date with any resulting gain or loss recognised in profit or loss or other comprehensive income, as appropriate.

IFRS 3.B52

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss, within the operating category, presented within other operating expenses (see Note 15.1).

IFRS 3.18

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

4.5 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.

[1] Or the applicable area in the financial report of the Group.

IAS 28.38-39

Where the Group's share of losses of an associate or joint venture equals or exceeds its equity accounted interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the other entity.

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.

4.6 Foreign currency translation

IFRS 18.27(d)
IAS 21.53

Functional and presentation currency

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 period-end exchange rates are recognised in profit or loss.

IAS 21.23(b)
IAS 21.23(c)

Non-monetary items are not retranslated at the period-end. They 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.

IFRS 18.B65-B68

Foreign exchange differences are classified in the same category as the income and expenses arising from the items that gave rise to those differences. Foreign exchange gains and losses on trade payables and receivables are classified in the operating category; those on borrowings are classified in the financing category.

Guidance note: Where a transaction gives rise to both financing and operating elements, for example a purchase on extended credit terms, income and expenses may need to be split between categories. Any foreign exchange differences associated with such a transaction, however, cannot be split between categories. Instead, the entity must use its judgement to determine which part of the transaction the foreign exchange differences relate to, and the foreign exchange differences are then allocated to that relevant category only. See our publication '**Get ready for IFRS 18'** for further guidance.

Guidance note: intragroup foreign exchange differences
In March 2026, the IFRIC finalised an **agenda decision** on classifying a foreign exchange difference arising on an intragroup monetary item where the underlying income and expenses are eliminated on consolidation but the two group entities have different functional currencies. The Committee concluded that IFRS 18.B65 supports two reasonable readings: classifying the difference in the operating category by default, since there is no "same" category once the related income and expenses have been eliminated; or classifying it in the category the income and expenses would have been presented in before elimination, assessed from the group's own perspective (or in the operating category if this involves undue cost or effort). An entity develops and applies one of these views as an accounting policy under IAS 8. This fact pattern does not arise for the Group. Our forthcoming insight on classification of foreign exchange differences in accordance with IFRS 18 considers this and related points in more detail.

IAS 21.47

Foreign operations

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[2] 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.

4.7 Segment reporting

Climate guidance: Climate-related matters may affect the information reviewed by the chief operating decision maker (CODM), for example as a result of new commitments that could lead to the discontinuation of existing activities or significant investment in new ones. They may also affect the identification and aggregation of operating segments, for instance if climate-related risks and opportunities lead to significant differences in the long-term economic characteristics of operating segments. More broadly, climate-related matters may affect an entity's business model and therefore the way performance is monitored internally, which could affect the segment information reported in the financial statements.

IFRS 8.22(a)
IFRS 8.22(b)
IFRS 8.16

The Group has three operating and reportable 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 6). In addition, two further operating segments are individually immaterial and are aggregated and disclosed as 'Other' (see Note 6).

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 8.29

The Group has previously reported four operating segments: project consulting, service, retail and construction. During the year an internal reorganisation occurred where the project consulting and construction segments were combined into a single segment, consulting. This reflects a realignment of internal management structures and resource allocation where the general manager roles of the previous project consulting and construction segments were combined into a single line of reporting. This change better reflects the connected end-to-end delivery of its consumer centric telecommunication consulting services. As such, comparative information has been restated (see Note 6) to reflect the new business operating model.

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

4.8 Revenue

Climate guidance: Climate-related matters may affect the way revenue is communicated, for instance through the introduction of new sustainability-related products or services. Where appropriate, it could impact the information provided in the financial statements when applying requirements of the standard on revenue disaggregation.

IAS 8.27C

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.

Overview

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

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

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

IFRS 15.46
IFRS 15.47
IFRS 15.22
IFRS 15.74

The Group often enters into customer contracts to supply a bundle of products and services (eg telecommunications hardware, software and related after-sales service). The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated among 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
IFRS 15.105

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its consolidated statement of financial position (see Note 33). 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 consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due. Contract assets and liabilities arising on the same contract are presented on a net basis in the consolidated statement of financial position.

Hardware and software sales

IFRS 15.31
IFRS 15.119(a)

Revenue from the sale of telecommunications hardware and non-customised software is recognised when or as the Group transfers control of the asset to the customer.

IFRS 15.38
IFRS 15.B56

For stand-alone sales of telecommunications hardware and/or non-customised software without installation services, control transfers when the customer takes delivery of the hardware or is provided with a download key for the software. Non-customised software is supplied under licences with a fixed term of between one and three years which convey a right to use software as it exists at the start of the licence period. The Group does not modify the software during the licence period.

Bespoke solutions

The Group also supplies customers with bespoke telecommunication solutions that include customised hardware and software and an installation service that enables the solution to interface with the customer's existing systems. The Group has determined that the hardware, software and installation service are each capable of being distinct as, in theory, the customer could benefit from them individually by acquiring the other elements elsewhere. However, the Group also provides a significant service of integrating these items to deliver a working solution such that, in the context of the actual contract, there is a single performance obligation to provide that solution.

IFRS 15.35(c)

The Group has assessed that control of these solutions transfers to the customer over time. This is because each solution is unique to the customer (has no alternative use) and under local law the Group is entitled to a right to payment for the work completed to date in the event the customer sought to terminate the contract in the absence of an explicit right to terminate in the contract. Revenue for these performance obligations is recognised as the customisation or integration work is performed, using the cost-to-cost method to estimate progress towards completion. Costs incurred

IFRS 15.B19

are considered to be proportionate to the entity's performance, so the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer. The cost of uninstalled materials is excluded from the calculation because the Group assesses that including these costs could overstate its progress towards delivering the solution.

Billings on bespoke solutions contracts are based on attaining specified contract milestones. Contract assets will arise in situations where revenue is recognised in advance of the next progress billing.

Customer loyalty programme

IFRS 15.119(e)

The Group's retail division operates a customer loyalty incentive programme. For each CU 100 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 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. The amount allocated to the material right is initially recorded as a contract liability and is later recognised in revenue when the points are redeemed by the customer.

IFRS 15.B46

The Group's experience is that a portion of the loyalty points will expire without being used ('breakage'). The Group recognises revenue from expected breakage in proportion to the points redeemed and trues-up this estimate when points expire. The Group has assessed it is highly improbable a significant reversal of revenue will arise if actual experience differs from expectations and therefore no further revenue constraint is needed.

Warranty arrangements

IFRS 15.B28

The Group provides a basic one-year product warranty in connection with the sale of 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 assurance-type warranties are not considered to be performance obligations so revenue is not allocated to them. The estimated costs of serving these warranties are recognised as provisions 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 non-cancellable terms between one and three years in length. Customers are required to pay in advance for each 12-month service period. Payments received in advance of performance obligations being satisfied are recognised as contract liabilities.

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

- **Maintenance contracts** – these agreements provide customers with regularly scheduled maintenance on telecommunications hardware purchased from the Group. The contracts consist of a single performance obligation that is transferred over time (ie the contract period) because they involve a series of services that are substantially the same and the benefit of each service is received and consumed immediately. 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.B32
IFRS 15.B18

- **Extended warranty programme** – these agreements cover repairs and after-sales support for telecommunications hardware outside the Group's standard warranty period. These warranties are sold in connection with the sale of telecommunications hardware manufactured by the Group, and are therefore scoped out of IFRS 17.

  This service involves an indeterminate number of acts as the Group is required to 'stand ready' to perform whenever a request falling within the scope of the programme is made by a customer.

  The benefits of the Group standing ready are received and consumed immediately and the service has therefore been assessed as a single performance obligation that is transferred over time (ie the warranty period). 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 Group'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.

Consulting and IT outsourcing 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. These involve developing a customer-specific design (no alternative use) with billings based on a specified payment schedule. Revenue is recognised over time if the schedule ensures the Group is entitled to payment for its performance to date throughout the contract period (including a profit margin that, in percentage terms, is equal to or more than the final expected profit margin). In other cases the payment schedule enables the Group to recover at least its costs at all times in the contract but not necessarily a full or proportionate profit margin. In these cases, taking into consideration the applicable contract law, the Group does not have an enforceable right to payment for performance completed to date and recognises revenue only on delivery and acceptance of the final design.

Revenue for over-time contracts is recognised on a time-and-materials basis as services are provided and costs are expensed as incurred. Amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as accounts receivable if only the passage of time is required before payment of these amounts will be due or as contract assets if payment is conditional on future performance. For the point-in-time contracts, materials and supplies are recognised as inventory and other directly attributable costs are initially recognised as contract fulfilment assets. These costs are expensed on delivery and acceptance (ie when the related revenue is recognised).

IFRS 15.B18

The Group also provides IT outsourcing services including payroll and accounts payable transaction processing to customers in exchange for a fixed monthly fee. These contracts involve a series of services that are substantially the same and the benefit of each service is received and consumed immediately. These contracts therefore consist of a single performance obligation for which control is transferred over time and revenue is recognised on a straight-line basis over the term of each contract. This method provides a faithful depiction of the transfer of goods or services because the work required does not vary significantly from month-to-month.

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. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. The Group recognises the related revenue over time because the systems are constructed at the customer sites and the customer controls the asset as it is constructed. When a contract also includes promises to perform after-sales services, these services represent a second performance obligation that is also satisfied over time (for the same reasons as the Group's maintenance contracts) but over a different period. The total transaction price is allocated between the two distinct performance obligations based on relative stand-alone selling prices.

IFRS 15.39
IFRS 15.41
IFRS 15.45

To depict the Group's progress in satisfying these performance obligations, and to establish when and to what extent revenue can be recognised, the Group measures its progress 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. In the early stage of some of these contracts the Group is unable to make a reliable estimate of the outcome of the project but still expects to recover its costs. The Group then recognises revenue equal to the costs incurred until it can make a reliable estimate.

IFRS 15.53
IFRS 15.56

Some contracts include bonus payments which the Group can earn by completing a project in advance of a targeted delivery date. At the inception of each contract the Group begins by estimating the amount of the bonus to be received using the "most likely amount" approach. The bonus is included in the Group's estimate of the transaction price if it is expected to be received but the amount is constrained to the extent necessary to ensure it is highly probable that no significant reversal of revenue will arise in the future. 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. The Group updates its estimates of the transaction price at each period end and adjusts revenue accordingly.

IFRS 15.91

These 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 consolidated statement of financial position under other liabilities (see Note 33).

IFRS 15.63

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.

IFRS 15.94

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 incurred.

4.9 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. For assurance type warranties, this is typically when the related goods are sold.

IFRS 18.78-79
IFRS 18.B80-B84
IFRS 18.82-83

The Group presents operating expenses in the statement of profit or loss using a combination of nature and function, a mixed presentation.

Management has concluded that the mixed presentation provides the most useful structured summary for the following reasons:

- Cost of sales, distribution costs, administrative expenses and research and development costs are presented by function, as gross profit and functional cost analysis are key drivers used in managing the business and as benchmarks by investors in the industry.
- Goodwill impairment is presented by its nature as a separate line item. Goodwill is not attributable to any single function and allocation of the impairment loss to a functional line item would therefore be arbitrary. Separate presentation by nature provides a more useful structured summary of this expense.
- Restructuring expenses are presented by nature as a separate line item, as they are considered to be different in nature from general administrative costs.

Entities that present one or more line items by function are also required to disclose in a single note the total amounts of specified categories of expenses by nature (depreciation, amortisation, employee benefits, impairment losses and inventory write-downs). This disclosure is provided in Note 8.

Guidance note: Nature items within the mixed presentation
Under the mixed presentation illustrated in these financial statements, two line items in the operating category are presented by the nature of the expense rather than by function: the goodwill impairment loss and restructuring expenses. The rationale for separate presentation of each is as follows.

Goodwill impairment: The goodwill impairment loss arises from an IAS 36 impairment assessment on goodwill acquired in a business combination. Goodwill is not attributable to any single function. It arises from the business combination as a whole and represents the future economic benefits from assets that cannot be individually identified and separately recognised. Allocating the impairment loss to a functional line item, such as administrative expenses or cost of sales, would therefore be arbitrary and would not faithfully represent the nature of the charge. The goodwill impairment loss is accordingly presented separately by nature, consistent with the principle in IFRS 18.B80-B84 that where allocation of an expense to a function would be arbitrary, presentation by nature may provide a more useful structured summary.

Restructuring expenses: Restructuring expenses are considered to be different in nature from general administrative costs (IFRS 18.B79(c)). For the purposes of illustrating a mixed presentation, the assumption has been made that presenting these separately contributes to a useful structured summary, for example due to their non-recurring nature and role in the longer-term strategy of the business.

Illustrative note: These choices have been made to illustrate the application of a mixed nature and function presentation under IFRS 18.78-79. They are not intended to imply that separate presentation of these items would be required for all entities, or that these specific items would necessarily be material enough to warrant separate presentation in any particular entity's financial statements. Entities applying IFRS 18 should apply their own materiality judgements and may reach different conclusions about the appropriate level of aggregation or disaggregation.

4.10 Management-defined performance measures

IFRS 18.117-125

The Group discloses in a single note any management-defined performance measures (MPMs) used in public communications outside these financial statements, such as in management commentary, press releases or investor presentations, to communicate management's view of an aspect of the Group's financial performance.

There is a rebuttable presumption that a subtotal used in public communications outside the financial statements communicates management's view of an aspect of the Group's financial performance as a whole, and therefore meets the definition of an MPM. This presumption can only be rebutted if the Group has reasonable and supportable information demonstrating both that the subtotal does not communicate such a view, and that it is used for another reason, for example because it is required by law or regulation.

MPM disclosures include a reconciliation to the most directly comparable IFRS 18 subtotal, a description of why the MPM is used, and the income tax effect and effect on non-controlling interests of each reconciling item.

The Group's MPMs are disclosed in Note 7. The Group uses two MPMs: 'adjusted operating profit' and 'adjusted earnings before interest, tax, deprecation and amortisation (EBITDA).'

4.11 Borrowing costs

IAS 23.8
IFRS 18.59-61
IFRS 18.B50-B55

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that it undertakes activities 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 are classified in the financing category, presented within interest expenses on borrowings and lease liabilities (see Note 10).

4.12 Profit or loss from discontinued operations

IFRS 5 Appendix A
IFRS 5.33(a)
IFRS 5.32

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. A discontinued operation represents a separate major line of business or geographical area of operations. 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 of the assets or disposal group(s) constituting the discontinued operation (see also Note 4.23 and Note 14).

4.13 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 4.17 for a description of impairment testing procedures.

4.14 Other intangible assets

Climate guidance: Climate-related matters may result in new research and development (R&D) activities aimed at adapting the entity's business model to the risks identified. Entities should consider whether costs incurred meet the recognition criteria in IAS 38.57 for capitalisation.

An example of useful information that can be disclosed is the amount of R&D costs incurred during the reporting period to satisfy the entity's transition plan. Where climate-related assumptions are reflected in impairment testing, useful information may also include disclosures about the extent to which future R&D expenditure has been considered in cash flow projections used to determine recoverable amounts under IAS 36.

In March 2025, the IFRIC discussed the application of IAS 38 'Intangible Assets' to climate-related R&D activities and observed that existing IFRS Accounting Standards provide an adequate basis for accounting for such expenditure. Accordingly, entities should apply the IAS 38 recognition criteria to climate-related R&D activities in the same way as for any other R&D project.

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 all of 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, and
- 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 4.17. The following useful lives are applied:

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

Any capitalised internally developed software that is not yet complete and intangible assets with indefinite useful life are not amortised but are subject to impairment testing as described in Note 4.17.

IAS 38.118(d) Amortisation has been included within administrative expenses.

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

IAS 38.113
IFRS 18.B48
IFRS 18.B49(e)
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 operating income and gains or other operating expenses.

IAS 38.107
IAS 38.108
IAS 38.109
Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

4.15 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 40.2). 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 4.17) 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 land does not have a finite useful life, related carrying amounts are not depreciated.

Buildings, IT equipment and other equipment

Climate guidance: Climate-related matters may affect the useful lives and residual values of assets, for example because of faster than expected obsolescence, technical changes, or new legal restrictions affecting carbon-intensive assets. Entities should consider whether such developments require revisions to estimated useful lives or residual values and should provide the disclosures required by IFRS Accounting Standards about the nature and effect of changes in accounting estimates.

Climate-related matters may also impact the fair value of property, plant and equipment used when applying the revaluation model or when determining the recoverable amount used for impairment tests. Where relevant, entities should consider whether climate-related assumptions and judgements constitute significant sources of estimation uncertainty requiring additional disclosure.

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 (see Note 4.16). 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, and
- other equipment: 3–12 years.

IFRS 16.31

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, 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
IFRS 18.B48(a)
IFRS 18.B49(e)
IFRS 18.B60(a)

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 either within other operating income and gains or other operating expenses.

4.16 Leased assets

Climate guidance: Climate-related matters affect lease arrangements. For example, environmental regulations, transition plans, or technological changes may result in modifications to lease agreements, changes in the lease term or reassessment of assumptions used to measure lease assets and liabilities. In addition, any dismantling provision recognised with respect to removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, may also need to be reassessed to consider new regulation requirements and or technologies.

The Group as a lessee

IFRS 16.59(a),(c)

The Group makes the use of leasing arrangements principally for the provision of the main warehouse and related facilities, office space and IT equipment. The rental contracts for offices are typically negotiated for terms of between three and 20 years and some of these have extension terms. Lease terms for office fixtures and equipment have lease terms of between six months and six years without any extension terms. The Group does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

IFRS 16.9

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

IFRS 16.15 Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services at offices. The Group has elected to not separate its leases for offices into lease and non-lease components and instead accounts for these contracts as a single lease component. For its other leases, the lease components are split into their lease and non-lease components based on their relative stand-alone prices.

Measurement and recognition of leases as a lessee

IFRS 16.24 At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

IFRS 16.32-33 The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

IFRS 16.26 At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group. The Group consults with its main bankers to determine the rate they would expect to charge the Group to borrow money to purchase a similar asset to that being leased. The estimated incremental borrowing rate is higher than the parent company's for leases entered into by its subsidiary undertakings.

IFRS 16.27 Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

IFRS 16.36(a)-(b) Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

IFRS 16.39-41 The lease liability is reassessed when there is a change in the lease payments. The lease liability is remeasured using a revised discount rate if the changes in lease payments arise from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

IFRS 16.42–43 Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect. The revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

IFRS 16.44 To respond to business needs, particularly in the demand for office space, the Group will enter into negotiations with landlords to either increase or decrease available office space or to renegotiate amounts payable under the respective leases. In some instances, the Group is able to increase office capacity by taking additional floors available and agrees with the landlord to pay an amount that is commensurate with the stand-alone pricing adjusted to reflect the particular contract terms. In these situations, the contractual agreement is treated as a new lease and accounted for accordingly.

IFRS 16.45 In other instances, the Group is able to negotiate a change to a lease such as reducing the amount of office space taken, reducing the lease term or by reducing the total amount payable under the lease, both of which were not part of the original terms and conditions of the lease. In these situations, the Group does not account for the changes as though there is a new lease. Instead, the revised contractual payments are discounted using a revised discount rate at the date the lease is effectively modified. For the reasons explained above, the discount rate used is the Group's incremental borrowing rate determined at the modification date as the rate implicit in the lease is not readily determinable.

IFRS 16.60 The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as desks, chairs and certain IT equipment. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a lessor

IFRS 16.61 As a lessor the Group classifies its leases as either operating or finance leases.

IFRS 16.62
IFRS 18.53(c)
IFRS 18.B46(b)
IFRS 18.B47(c) The Group assessed whether it transfers substantially all the risks and rewards of ownership. Those assets that do not transfer substantially all the risks and rewards are classified as operating leases. The Group has currently not entered into any lease that is classified as a finance lease.

Rental income is accounted for on a straight-line basis over the lease term and is presented within income from investment property in the investing category.

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

Climate guidance: Entities are required to test goodwill and intangible assets with indefinite useful life for impairment at least once a year and to assess, at each reporting date, whether there is any indication that other non-current assets may be impaired. Climate-related matters may give rise to impairment indicators, for example because of transition plans, decarbonisation commitments, technological changes or new regulations restricting the use of certain assets.

Climate-related matters may affect the assumptions used to determine recoverable amounts, including assumptions relating to future regulatory developments, customer demand, commodity prices, greenhouse gas emission allowance costs, insurance costs, expected operating margins and long-term growth prospects. In applying IAS 36, entities are required to base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset or cash-generating unit (CGU).

In measuring value in use, entities should consider whether climate-related matters affect business plans, cash flow projections, discounts rates or long-term growth assumptions. Significant judgement may also be required when assessing whether expenditures associated with climate-related commitments represent maintenance of existing operations or future restructurings, improvements or capacity enhancements that cannot be included in cash flow projections.

Where climate-related assumptions are identified as key assumptions in determining recoverable amounts, IAS 36 requires disclosure of those assumptions and of management's approach in determining the values assigned to them. For example, assumptions regarding future emission allowance costs, future emission regulations or other climate-related costs may be key assumptions. Entities should also explain whether these assumptions are consistent with external sources of information and, if not, how and why they differ.

Climate guidance continued: The IASB illustrated this principle in '**Disclosures about Uncertainties in the Financial Statements**', using future greenhouse gas emission allowance costs and future emission regulations as examples of climate-related key assumptions. The IASB also illustrated that, where a reasonably possible change in such an assumption could result in an impairment loss, IAS 36 requires disclosure of the related sensitivity information, including the extent of change necessary for the recoverable amount to equal the carrying amount.

In addition, climate-related assumptions may require disclosure under IAS 8 even when the specific disclosure requirements of IAS 36 do not apply, for example when a CGU does not contain goodwill or indefinite-life intangible assets and no impairment loss is recognised. Additional disclosures may nevertheless be required when climate-related assumptions represent major sources of estimation uncertainty that could result in a material adjustment to carrying amounts within the next financial year. In making this assessment, entities may consider factors such as the size of the CGU, the degree of subjectivity and complexity involved in determining the assumptions, the likelihood of new information or regulatory developments arising, and the sensitivity of the recoverable amount to changes in those assumptions.

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 or intangible assets that have an indefinite useful life or are not yet available for use have 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 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 is 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 the 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.

4.18 Investment property

Climate guidance: Climate-related matters may affect the fair value of investment properties, for example through changes in environmental regulations, minimum energy-performance requirements, tenant demand, expected rental income, operating costs or market participants' assumptions. Such matters may result in changes to valuation assumptions and so the fair value of investment properties.

For investment properties measured using significant unobservable inputs (Level 3 of the fair value hierarchy), entities should consider whether climate-related matters affect key assumptions used in the valuation, such as market rental value, vacancy rates, operating costs, discount rate, etc. Where relevant, entities should also consider whether these assumptions represent significant sources of estimation uncertainty requiring additional disclosure.

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
IFRS 18.53(c)
IFRS 18.B46(b)
IFRS 18.B47(f)

Investment properties are revalued annually with resulting gains and losses recognised in profit or loss, presented within income from investment property in the investing category. These are included in the consolidated statement of financial position at their fair values. See Note 40.2.

4.19 Financial instruments

Recognition and derecognition

Guidance note: In May 2024, the IASB issued 'Amendments to the Classification and Measurement of Financial Instruments' which amended IFRS 9 and IFRS 7.

These amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

IFRS 9.B3.3.8

Among other things, these amendments added new guidance to IFRS 9 to specifically address when a financial liability should be derecognised when it is settled by electronic payment. The new guidance allows for the liability to be discharged before the settlement date if:

- the entity has no practical ability to withdraw, stop or cancel the payment instruction
- the entity no longer has the practical ability to access the cash, and
- settlement risk associated with the electronic payment system is insignificant.

IFRS 9.B3.3.10

The election is not a general or ongoing accounting policy choice, and adopting it does not mean an entity simply continues its existing practice unchanged. It is available only in respect of transactions, and specific electronic payment systems, for which all three conditions above are met at the relevant date, and where an entity elects to apply it, the election must be applied consistently to all liabilities settled through that system. Where the conditions are not met for a given system or transaction, the liability continues to be derecognised on the settlement date.

This election applies only to financial liabilities. It does not extend to financial assets, including receivables settled by electronic payment, which continue to be derecognised only on the date the entity's contractual rights to the cash flows expire or are transferred, generally the date the cash is received.

Whether a particular electronic payment system meets these criteria depends on its specific operational and legal terms, including the point at which a payment instruction becomes irrevocable and the point at which the paying entity loses access to the funds. This is a matter for individual assessment, and a system that is commonly understood to have a multi-day clearing cycle will not necessarily meet the criteria in every case.

Guidance note (continued): Some entities, particularly those settling liabilities through electronic payment systems with a multi-day clearing cycle, may elect to apply this treatment. An illustrative policy for an entity making this election is set out below.

IFRS 9.B3.3.8
IFRS 9.B3.3.10

Illustrative alternative policy, not adopted by the Group: 'Where the entity elects to derecognise a financial liability settled by electronic payment before the settlement date, it does so only where, at the date of derecognition, the entity has no practical ability to withdraw, stop or cancel the payment instruction, no longer has the practical ability to access the cash used for settlement, and the settlement risk associated with the electronic payment system used is insignificant. The election is applied consistently to all liabilities settled through that system. Liabilities settled through systems, or in circumstances, where these conditions are not met continue to be derecognised on the settlement date.'

IFRS 9.7.2.48
IFRS 9.BC7.103

Transition considerations: On initial application of this election, an entity adjusts the opening balance of the affected financial assets, financial liabilities and components of equity at the date of initial application. Comparative periods are not required to be restated, although restatement is permitted if this can be done without the use of hindsight. If comparatives are not restated, the timing of derecognition before and after the election may differ. This can leave a reconciling difference in the opening balance of cash and cash equivalents shown in the statement of cash flows.

For the purposes of these illustrative financial statements, the Group is assumed to retain its existing policy of derecognising financial liabilities on the settlement date. The earlier derecognition option has not been adopted.

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
IFRS 9.B3.1.2A
IFRS 7.44MM

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. Where a financial liability is settled by electronic payment, the Group derecognises the liability on the date on which the payment is cleared through the payment system (the settlement date). The Group does not apply the earlier derecognition option available under the 'Amendments to the Classification and Measurement of Financial Instruments' (Amendments to IFRS 9 and IFRS 7), which would permit derecognition before the settlement date where the payment cannot be withdrawn or cancelled and the entity no longer has practical access to the cash.

Classification and initial measurement of financial assets

Climate guidance: As part of their climate strategies, some entities invest in sustainability-linked bonds, green bonds or other ESG-linked financial instruments. When analysing such instruments, entities should assess whether their contractual cash flows meet the solely payments of principal and interest (SPPI) criterion in IFRS 9, considering any ESG-linked features. The classification and measurement of these instruments may depend on this assessment. Where material, entities should also consider the related disclosure requirements in IFRS 7, including information about the nature of the instruments and significant judgements applied.

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 'Revenue from Contracts with Customers', 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 one of the following categories:

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

In the periods presented the Group 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, and
- the contractual cash flow characteristics of the financial asset.

IFRS 7.20(a)
IFRS 18.75(b)(ii)
IFRS 18.53(c)
IFRS 18.B46(a)
IFRS 18.B47(a)(b)(f)
IFRS 18.75(b)(ii)
IFRS 18.23
IFRS 18.B77

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within the appropriate IFRS 18 category. Interest income, dividend income and fair value gains and losses on financial assets (including financial assets at fair value through profit or loss) are classified in the investing category and presented within fair value movements and income on financial investments, on the basis these financial assets generate a return individually and largely independently of the Group's other resources. Impairment of trade receivables and contract assets is presented within administrative expenses, on the basis this is not considered to be subject to significant measurement uncertainty and separate presentation is not necessary to provide a useful structured summary.

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, 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.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

IFRS 9.4.1.2
IAS 7.7

The Group holds a deposit with a bank on an initial term of six months, which rolls over automatically for successive six-month terms, including accrued interest, unless withdrawn. This deposit is held to collect its contractual cash flows, which are solely payments of principal and interest, and is therefore measured at amortised cost. As the deposit's original maturity exceeds three months, it does not meet the definition of a cash equivalent.

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 FVTPL. Further, irrespective of the business model used, 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 equity investments. The Group accounts for the equity investment in XY Ltd and listed equity securities at FVTPL and did not make the irrevocable election to account for it at FVOCI. The fair value of these investments was determined in line with the requirements of IFRS 13 'Fair Value Measurement'.

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 included 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. Any gains or losses recognised in other comprehensive income (OCI) in relation to these debt assets will be recycled to profit or loss upon derecognition of the asset.

A further potential category exists of equity FVOCI. Where an entity has made an irrevocable election to designate equity instruments at FVOCI, subsequent changes in the fair value of the equity instrument are recognised in OCI, however dividend income is recognised in the statement of profit or loss. There is no recycling of gains and losses recognised in OCI at the time of derecognition.

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 OCI will be recycled upon derecognition of the asset.

Impairment of financial assets

IFRS 9.5.5.1 IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the 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 'Revenue from Contracts with Customers' and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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 (ie Stage 1) while 'lifetime expected credit losses' are recognised for the second category (ie Stage 2).

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

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 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

Climate guidance: Climate-related matters may affect an entity's exposure to credit risk and, consequently, the measurement of ECL. For instance, an entity's customers may be negatively affected by climate-related transition risks, such as new environmental regulations, or physical risks such as rising temperatures, floods or other climate-related phenomena affecting their operations or assets.

Where climate-related risks have significant effect on the entity's exposure to credit risk, additional disclosures may be needed, such as:

- how these risks have been incorporated in the input, assumptions and estimation techniques used to measure ECL (eg probabilities of default, forward-looking information incorporated into the determination of ECL, etc.)
- related credit risk management practices
- concentrations of climate-related credit risk, if not apparent from other disclosures

In its publication '**Disclosures about Uncertainties in the Financial Statements**', the IASB illustrated these principles, for a financial institution, using portfolios exposed to climate-related risks and highlighted the importance of explaining how such risks are reflected in the recognition and measurement of expected credit losses.

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. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses 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 38.2 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Where consistent with the provisioning horizon, the possible impact of climate risks on the determination of expected credit losses has been integrated.

Guidance note: The assessment of impairment for trade receivables can either be done individually or collectively and that assessment should be 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

Climate guidance: An increasing number of entities obtain green financing or sustainability-linked financing as part of their climate strategy. Examples include financing dedicated to environmental projects or financing arrangements whose contractual cash flows depend on the achievement of ESG-related performance targets.

Such arrangements may give rise to complex accounting questions on the borrower's side, such as the existence of an embedded derivative and their separation analysis, the calculation of the effective interest rate or the subsequent accounting for changes in cash flows arising from sustainability-related performance targets.

Where material, entities should provide information about the contractual characteristics of these instruments, the accounting policies applied and any significant judgements made in determining their accounting treatment. Additional disclosures may also be necessary to enable users to understand the impact of these arrangements on the entity's financial position, financial performance and cash flow.

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 FVTPL.

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).

IFRS 18.59-61
IFRS 18.B50-B55

Interest expense on financial liabilities measured at amortised cost is classified in the financing category and presented within interest expenses on borrowings and lease liabilities. Changes in the fair value of financial liabilities that arise from transactions that do not involve only the raising of finance, such as contingent consideration, are classified in the operating category and presented within other operating expenses.

Derivative financial instruments and hedge accounting

IFRS 9.6.4.1

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet 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, and
- 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 consolidated 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 18.B70

Amounts reclassified from the cash flow hedge reserve to profit or loss are presented within hedging gains and losses in the operating category, consistent with the classification of the income affected by the hedged risk.

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.

IFRS 18.B70
IFRS 18.B72

In addition to derivatives formally designated as hedging instruments, the Group also holds derivatives that are used to manage foreign currency risk on trading transactions but have not been formally designated as hedges. Fair value gains and losses on these derivatives held for trading are classified in the operating category and presented within other operating income and gains, on the basis these derivatives are used to economically hedge forecast sales transactions that are themselves classified in the operating category.

Contracts referencing nature-dependent electricity

IFRS 9.2.1(b)
IFRS 16.9
IFRS 9.2.3A
IFRS 9.2.4
IFRS 9.B2.7–B2.8

Guidance note: 'Contracts Referencing Nature-dependent Electricity' (Amendments to IFRS 9 and IFRS 7), effective 1 January 2026, addresses two aspects of accounting for contracts to buy or sell electricity generated from nature-dependent renewable sources: clarifications to the own-use exemption in IFRS 9 (illustrated below), and additional eligibility for hedge accounting where such contracts are used as hedging instruments, notwithstanding the variability in the volume of electricity they reference. The amendments also introduce specific disclosure requirements for power purchase agreements that qualify for the own-use exemption under IFRS 9 and are therefore not recognised as derivative financial instruments in the statement of financial position. The Group's PPA is not used for hedging, so only the own-use exemption aspects of the amendments are illustrated below; entities using such contracts as hedging instruments should also consider the amendments' hedge accounting provisions. IFRS 9 does not apply to a contract that is a lease within the scope of IFRS 16 'Leases', so an entity considers IFRS 16 before applying the own-use exemption.

In **'Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16)'**, an agenda decision that was finalised by the IFRIC in April 2026, the Committee considered a fact pattern where the customer had dedicated use of 100% of an asset's capacity with no substitution rights, and concluded this gave the customer the right to obtain substantially all of the economic benefits from use of the asset. A PPA that instead gives an entity a capped volume entitlement representing only a modest proportion of the relevant asset's capacity, with no ability to direct how the asset is operated, such as the PPA illustrated below, points against the arrangement being a lease. Consequently, the PPA is outside the scope of IFRS 16 and is instead assessed against the own-use exemption criteria in IFRS 9.

IFRS 9.2.3A

The Group enters into power purchase agreements (PPAs) under which it purchases, at a fixed price, electricity generated from nature-dependent renewable energy sources, including wind power. Such contracts are assessed at inception, and continuously thereafter, to determine whether they qualify for the own-use exemption in IFRS 9. Before determining whether the own-use exemption applies, the Group first assesses whether the PPA is, or contains, a lease within the scope of IFRS 16, since IFRS 9 does not apply to a contract that is a lease. The Group has concluded that its PPA does not contain a lease. The Group does not control the entity that owns and operates the wind farm, and does not have the right to direct how, when or whether the wind farm generates electricity, or the right to obtain substantially all of the wind farm's economic benefits (see Note 39).

A PPA qualifies for the own-use exemption where it is entered into, and continues to be held, for the purpose of receipt of electricity in accordance with the Group's expected usage requirements.

IFRS 9.B2.8 The Group monitors continued qualification at each reporting date by reviewing actual and forecast electricity consumption against contracted volumes over a 12-month period. In making this assessment, the Group excludes any expected purchases of unusable energy from its forecast consumption, to avoid double counting volumes that are sold and subsequently repurchased within the same assessment period.

IFRS 9.2.4 Where the own-use exemption applies, the PPA is not accounted for as a derivative financial instrument. Electricity purchased under the contract that is used in the Group's manufacturing operations is capitalised as a cost of inventories in accordance with IAS 2 'Inventories', and is subsequently recognised in cost of sales when the related inventory is sold.

IFRS 9.B2.7 Where electricity purchased under the PPA cannot be used by the Group at the time of delivery, the Group sells the surplus electricity into the market and will subsequently purchase electricity from the market to meet its consumption needs. Proceeds from sales of electricity that cannot be used by the Group at the time of delivery are recognised in other operating income in the period in which the sale occurs.

IFRS 7.30A The Group provides the disclosures required by IFRS 7.30A in Note 39 to these financial statements.

Where a PPA does not qualify for, or ceases to qualify for, the own-use exemption, it is recognised and measured as a derivative financial instrument at fair value through profit or loss.

4.20 Inventories

Climate guidance: The net realisable value of inventories may be impacted by climate-related matters, for instance due to a decline in customer demand, new environmental regulations, restrictions on the use of certain products, or an increase in completion costs. If the cost of inventories is not recoverable, IAS 2 requires reporting entities to write down those inventories to their net realisable value.

In '**Disclosures about Uncertainties in the Financial Statements**', the IASB illustrated that a climate-related transition plan does not necessarily affect the carrying amount of inventories. For example, a write-down may not be required when inventories are expected to be consumed or sold before the transition plan affects the entity's operations and the carrying amount remains recoverable.

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 directly attributable selling expenses.

4.21 Income taxes

Climate guidance: Climate-related matters may negatively affect the future taxable profits on which the recognition of deferred tax assets is based. For example, new environmental regulations, changes in customer demand or transition-related costs may affect an entity's future profitability and therefore its ability to utilise unused tax losses or deductible temporary differences.

For instance, if a subsidiary has a significant amount of unused tax losses and operates in a jurisdiction whose government just enacted a new restrictive environmental regulation that negatively affects its business, the entity should consider whether this impacts the assessment of future taxable profits and whether these are sufficient to support the recognition of deferred tax assets.

In assessing the recoverability of deferred tax assets, entities should consider the consistency of the assumptions used with those applied elsewhere in the financial statements, including in impairment testing, where relevant (see Note 4.17).

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
IFRIC 23

The calculation of current and deferred 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 liability method. The carrying amounts of deferred tax are reviewed at the end of each reporting period on the basis of its most likely amount and adjusted if needed. Assessing the most likely amount of current and deferred tax in case of uncertainties (eg as a result of the need to interpret the requirements of the applicable tax law), requires the Group to apply judgements in considering whether it is probable that the taxation authority will accept the tax treatment retained.

IAS 12.24

Deferred tax assets are recognised to the extent 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.

IAS 12.39
IAS 12.74

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 (only to the extent that the Group controls the timing of the reversal of the taxable temporary difference and that reversal is not likely to occur in the foreseeable future). The Group does not offset deferred tax assets and liabilities unless it has a legally enforceable right to do so and intends to settle on a net basis.

IAS 12.88(b-d)

Pillar Two legislation has been implemented in some of the jurisdictions in which subsidiaries of the Group operate. Legislation applicable to the Group came into effect on 1 January 2025. The Group has assessed the applicable tax legislation for the regions in which subsidiaries of the Group operate to determine potential exposure to Pillar Two tax liability.

The Group performed this assessment based on current information available regarding the Group entities' operations, as well as applicable effective tax rates in each affected jurisdiction and prior year and expected effective tax rates, adjusted for Pillar Two disallowed deductions, for each affected jurisdiction. Based on the information gathered and the result of the assessment, the Pillar Two effective tax rates in each affected jurisdiction are above 15% and management does not have reason to believe that there are any circumstances that would result in the Pillar Two effective tax rate in any jurisdiction in which a subsidiary operates dropping below 15%. Based on this assessment, the Group does not expect to be subject to any Pillar Two top-up taxes.

Guidance note:
International Tax Reform: Pillar Two Model Rules
In December 2021, the Organisation for Economic Co-operation and Development (OECD) published its Pillar Two Model GloBE (or Global Anti-Base Erosion) Rules. The intent of the Pillar Two Model Rules is to ensure a minimum level of taxation will ultimately be paid by multinational entities who operate in very low or no tax jurisdictions. Currently, more than 135 countries have signalled they will be modifying their tax local legislation, but they are at different stages of drafting legislation that aligns to the GloBE Rules. At the date of this publication, many countries have implemented legislation aligned to the framework; but many countries have still to do this.

The GloBE rules ensure multinational enterprises pay a minimum tax rate of 15%. Jurisdictions can implement a Qualified Domestic Minimum Top-up Tax (QDMTT) when the domestic effective tax rate is below this minimum in order to ensure that the Pillar Two minimum tax framework effect is to the benefit of the domestic jurisdiction. If there is no QDMTT, applying the GloBE rules will result in low-taxed profits being topped up in foreign jurisdictions via the Income Inclusion Rule (IIR), ensuring the parent entity pays additional tax to match the minimum tax rate of 15%.

Guidance note:
International Tax Reform: Pillar Two Model Rules (continued)
This means if a subsidiary of a multinational entity pays less than a 15% effective tax rate, the entity will trigger liability for the top-up tax at the ultimate parent entity level. The parent entity will then need to pay the additional tax required to bring the subsidiary's effective tax rate up to the 15% minimum. As a result, ultimate parent companies with subsidiaries in jurisdictions with effective tax rates below 15% will have to pay additional income tax going forward. It is also important to note that when calculating local taxable income certain deductions may be disallowed when calculating GLoBE taxable income. This could result in a subsidiary triggering the top-up tax even if the local effective tax rate set out in legislation is 15% or above.

Applying the IAS 12 'Income Taxes' amendments 'International Tax Reform – Pillar Two Model Rules' the Group does not recognise any deferred taxes associated with the GloBE rules. The impact of the reform is presented as part of income tax and is separately disclosed.

Disclosures regarding Pillar Two top-up tax will depend on the countries the group reporting entity operates in, their local effective tax rates, and whether those jurisdictions have fully implemented Pillar Two legislation. Illustrative Corporation Group is incorporated in Euroland, where the statutory tax rate is 30%, and it has subsidiaries in Euroland, the United Kingdom, and the United States. As the US is not currently in the process of implementing any Pillar Two tax legislation and the effective tax rate in the UK when taking into account deductions disallowed for Pillar Two purposes is above 15%, the entity will not be liable for any top-up tax in the current period. To address the disclosure requirements, Illustrative Corporation Group has added Pillar Two tax information to the income tax expense note below.

Although Illustrative Corporation Group is not subject to any top-up tax in the current reporting period (the OECD Pillar Two model rules apply to multinational enterprises that have consolidated revenues of EUR750 million in at least two out of the last four years), the following is an illustrative disclosure for reporting entities that would be subject to a top-up tax. Please note there are two scenarios that can trigger a top-up tax liability in the ultimate parent's group financial statements:

1 the statutory tax rate in the jurisdiction in which a subsidiary operates is less than 15%, or
2 the statutory tax rate in the jurisdiction in which a subsidiary operates is greater than 15% but certain deductions allowed for calculation of tax expense are disallowed under Pillar Two legislation, resulting in an effective tax rate below 15%.

The illustrative example below demonstrates each scenario that can trigger top-up liability:

'Following the adoption of the Pillar Two model rules in Euroland in 2025, the Group qualifies as a multinational enterprise subject to the Pillar Two regulations. Since 2025, most of the countries in which the Group operates are also subject to Pillar Two legislation.

The Group updated its assessment of the tax legislation in all the countries in which subsidiaries of the Group operate to determine whether a Pillar Two top-up tax liability needs to be recognised. No change has been identified in 2026 compared to 2025 in the scope of jurisdictions in which the Group is exposed to pay a top-up tax.

Therefore, based on the information gathered, management has assessed that the Group is still subject to a top-up tax for the period ended 31 December 2026 for its operations in [Name the country that has circumstances set out above in point 1] and [Name the country that has circumstances set out above in point 2] where the statutory tax rate is [tax rate below 15%] and [tax rate below 15%], respectively, and the effective tax rate is [tax rate below 15%] after accounting for certain deductions disallowed by Pillar Two tax legislation. Since both are less than the 15% global minimum required by the Pillar Two legislation, the Group has recognised and presented in its current tax expense, a top-up tax amount of [CU current tax expense amount] that will be levied against the Group's ultimate parent company for the period ended 31 December 2026.

IAS 12.88A
IAS 12.4(a)

The Group has applied the amendment to IAS 12 which allows for temporary mandatory relief from accounting for the deferred tax impacts of the top-up tax and allows for recognition of the top-up as current tax expense as incurred.'

4.22 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. Bank overdrafts are repayable on demand and are integral to the Group's cash management, regularly fluctuating from negative to positive, and are therefore included in cash and cash equivalents in the consolidated statement of cash flows. As the offsetting criteria in IAS 32 'Financial Instruments: Presentation' are not met, bank overdrafts are included in liabilities in the consolidated statement of financial position.

4.23 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)
IFRS 5.34 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 4.12). Comparative amounts are re-presented so that all operations that have been discontinued by the end of the current reporting period are presented (and disclosed) as discontinued operations.

4.24 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 the 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.

IFRS 18.130(b) Other components of equity include the following:

- **revaluation reserve** – comprises gains and losses from the revaluation of land (see Note 4.15)
- **translation reserve** – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into CU (see Note 4.6)
- **reserves for cash flow hedges** – comprises gains and losses relating to these types of financial instruments (see Note 4.19)

Retained earnings includes all current and prior period retained profits, the remeasurement of the net defined benefit liability (see Note 4.25), and share-based employee remuneration (see Note 4.26).

IAS 24.3 All transactions with owners of the parent are recorded separately within equity.

IFRIC 17.10 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.

4.25 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 retirement 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 consolidated 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 the end of each annual reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.

IAS 19.120
IAS 19.87
IFRS 18.B53(d)
IFRS 18.B54(d)
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 presented within interest expenses on pension liability (see Note 10.4). 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. These remeasurements are included directly in retained earnings, rather than as a separate reserve of other components of equity.

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 the Group expects to pay as a result of the unused entitlement.

4.26 Share-based employee remuneration

Climate guidance: Share-based payment arrangements may include climate-related performance conditions (for example, greenhouse gas emission reduction targets or other environmental objectives). When these targets constitute non-market vesting conditions under IFRS 2, they do not affect the grant-date fair value of the award but are taken into account when estimating the number of equity instruments expected to vest.

Where material, entities should consider providing information about the nature of these conditions and their effect on the recognised share-based payment expense.

The Group operates two share option plans for employees. Both plans are equity-settled share-based remuneration plans. 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 (eg 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. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

IFRS 2.20
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.

4.27 Provisions, contingent assets and contingent liabilities

Climate guidance: Climate-related matters may affect recognition and measurement of provisions. For example, they may give rise to obligations arising from new environmental regulations, changes in decommissioning or site-restoration requirements, changes in the timing of expected cash outflows, or onerous contracts resulting from increased operating costs or reduced demand. Climate-related matters may also give rise to contingent liabilities requiring disclosure when material.

Applying IAS 37, entities are required to disclose information about the nature of provisions, the expected timing of the related outflows and significant uncertainties affecting the amount or timing of those outflows. Climate-related factors may affect these assessments and the assumptions used in measuring provisions.

In '**Disclosures about Uncertainties in the Financial Statements**', the IASB illustrated that information about decommissioning and site-restoration obligations may be material even when the carrying amount of the related provision is not. For example, information about the nature of the obligation, future cash outflows, expected settlement date and related assumptions may be material because of the size of the expected future expenditure or the risk that the obligation could be settled earlier than expected because of climate-related developments.

What about net zero transition commitments?
In March 2024, the IFRIC published a **decision** about the application of IAS 37 for climate-related commitments including net-zero commitments.

The IFRIC observed that entities must apply judgement to assess whether public statements and related actions create a constructive obligation. Relevant considerations may include the language used in the statement, the specificity and status of implementation plans, the timing of the actions required and evidence of progress made.

Even where no provision is recognised, entities should consider whether disclosures about significant judgements, assumptions and uncertainties are necessary to enable users to understand the potential effects of climate-related commitments on the financial statements.

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.

4.28 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the Group's consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses.

Climate guidance: Entities should consider whether judgements, estimates and assumptions used in the financial statements are consistent with information provided in other general purpose financial reports, such as net-zero commitments, transition plans and sustainability-related disclosures. Where significant differences exist, entities should assess whether additional explanations are necessary to enable users to understand the financial statements.

Climate-related matters often require management to make judgements and estimates over a long-term horizon. Such judgements may involve a high degree of subjectivity and complexity because the related assumptions depend on uncertain future events, including regulatory developments, technological changes and evolving market conditions. The longer the period considered, the greater the uncertainty and the risk that assumptions may change.

Where climate-related assumptions represent significant sources of estimation uncertainty, entities should provide information that enables users to understand the nature of those uncertainties and their potential effects on the financial statements. Depending on the facts and circumstances, this may include sensitivity information illustrating the effect of reasonably possible changes in key assumptions.

Significant management judgements

IAS 8.27G

Guidance note: IAS 8 provides general guidance on disclosures about judgements made in applying accounting policies. Other standards, such as IFRS 7, IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 15 supplement IAS 8 by requiring disclosure about particular judgements.

The following are examples of disclosures for management judgements under IAS 8.27G. An entity 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 8.27G

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

Recognition of contract revenue over time or at a point in time

For some of the Group's contracts with customers, significant judgement is required to assess whether control of the related performance obligation(s) transfers to the customer over time or at a point in time in accordance with IFRS 15. Specifically, for contracts that involve developing a customer-specific asset with no alternative use to the Group, judgement is needed to determine whether the Group is entitled to payment for its performance throughout the contract period if the customer sought to cancel the contract. This relates mainly to consulting contracts for design services which represent CU 110,170 (2025: CU 108,590) of the Group's revenue. In making this assessment the Group compares the amount it is entitled to collect based on the agreed payment schedule to the estimated level of costs at all stages in the contract in order to estimate the percentage margin it would retain on cancellation. The Group then compares the lowest margin percentage through the contract period to the expected margin percentage on completion. If the lowest expected margin percentage is at least equal to the final percentage margin, within a tolerance of 2%, the Group assesses it has a right to payment for its performance throughout the contract period and recognises revenue over time. In the majority of cases the payment schedule is sufficiently front-loaded to meet this condition. If the condition is not met the Group recognises revenue only on completion. In making this judgement the Group has considered the applicable contract law in the event of a customer seeking to cancel a contract without having the right to do so and has concluded that the court of law would not necessarily enforce specific contract performance.

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 4.14).

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 4.21).

Control assessment

See Note 16.1.

Estimation uncertainty

IAS 8.31A
IAS 8.31E

Guidance note: IAS 8 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 8 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, and
- changes made to past assumptions.

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

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

IAS 8.31A
IAS 8.31E

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 a discount rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.17). In 2026, the Group recognised an impairment loss on goodwill (see Note 18) and internally generated software (see Note 19).

Useful lives and residual values of depreciable assets

Management reviews its estimate of the useful lives and residual values 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. Software with a carrying value of CU 1,100 is judged to be at an increased risk of early obsolescence due to the potentially disruptive influence on the market of artificial intelligence. Based on the latest information available, management continues to assess that this software and related IT equipment has a three-year useful life, with two years remaining. If the useful life was instead two years, the carrying value of this software at 31 December 2026 would decrease by CU 275 and amortisation would increase by CU 275. IT hardware used to run this software may also require upgrading in the event of early obsolescence of the software. The carrying value of this IT equipment as at 31 December 2026 is CU 1,200. A one-year decrease in the useful life of this hardware would reduce the carrying amount at 31 December 2026 by CU 300 and increase depreciation by CU 300.

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. The carrying value of inventories at the year end is CU 18,298 (see Note 25). If selling prices dropped by 20% (with all else remaining equal), an inventory write down of CU 400 would be required. If selling prices dropped by 30% an inventory write down of CU 1,750 would be required.

Business combinations

Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see Note 4.4). In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability (see Note 15.1).

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 4.8). If the estimated costs to complete the Group's ongoing construction contracts increased by 5% (with all else remaining equal), the Group's recognised profit for the year and the carrying amount of construction contract assets and receivables would each reduce by approximately CU 700.

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 amount (as analysed in Note 30.3).

Fair value measurement

Management uses various 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 40).

Other accounting estimates

IFRS 18.113(c)

Guidance note: As an overarching principle, IFRS 18 requires disclosure of information that is not specifically required by any other IFRS Accounting Standard and is not presented elsewhere, if this information is relevant to understanding the financial statements. Reporting entities may therefore disclose other estimates that do not meet the IAS 8 definition of a significant estimate, if they conclude that this provides material information that is relevant to understanding the financial statements. If management discloses information about such 'other' estimates, for example, estimates where the impact is expected to crystallise over the longer term, we would expect these estimates to be clearly distinguished from significant estimates, and the reason these disclosures have been made to be explained.

The Group makes other judgements involving estimation uncertainty, that, although they do not meet the IAS 8 definition of a significant accounting estimate, they are nevertheless considered to be important to understanding the longer-term risks and uncertainties that the Group faces.

Climate-related risks

The long-term consequences of climate change on financial statements are challenging to predict and require entities to make significant assumptions and develop estimates. Assumptions used in impairment testing and the useful lives of assets are subject to uncertainties related to regulatory changes (eg green taxes adopted by governments), the development of new technologies, the depletion of natural resources used to produce telecommunication hardware, and other factors. The assumptions used to prepare financial statements reflect the Group's best estimates at the end of the reporting period.

5. Revenue

IFRS 15.116

For 2026, revenue includes CU 2,718 (2025: CU 2,534) included in the contract liability balance at the beginning of the reporting period, and CU 134 (2025: CU 125) from performance obligations satisfied (or partially satisfied) in previous periods due to changes in transaction price.

Guidance note: 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 15.116

Contract balances	31 December 2026	31 December 2025	1 January 2025
Trade receivables (Note 26)	**30,498**	**23,333**	**22,764**
Contract assets (Note 26)	**1,374**	**974**	**960**
Advances received for construction contract work	513	427	439
Deferred service revenue	2,123	2,291	2,275
Total contract liabilities (Note 33)	**2,636**	**2,718**	**2,714**

IFRS 15.114
IFRS 15.115

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

	For the year ended 31 December 2026				
	Consulting	Service	Retail	Other	Total
Euroland (domicile)	88,648	14,512	57,678	2,943	163,781
UK	10,522	1,814	7,210	368	19,914
US	9,892	1,633	6,489	331	18,345
Other countries	1,108	181	721	37	2,047
Total revenue from contracts with customers	**110,170**	**18,140**	**72,098**	**3,679**	**204,087**

	For the year ended 31 December 2025				
	Consulting	Service	Retail	Other	Total
Euroland (domicile)	87,442	14,266	46,143	3,004	150,855
UK	10,653	1,783	5,768	376	18,580
US	9,402	1,605	5,191	338	16,536
Other countries	1,093	178	2,208	38	3,517
Total revenue from contracts with customers	**108,590**	**17,832**	**59,310**	**3,756**	**189,488**

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

IFRS 15.115

	For the year ended 31 December 2026				
	Consulting	Service	Retail	Other	Total
Goods transferred at a point in time	23,738	3,991	15,862	809	44,400
Services transferred over time	86,432	14,149	56,236	2,870	159,687
Total revenue from contracts with customers	**110,170**	**18,140**	**72,098**	**3,679**	**204,087**

	For the year ended 31 December 2025				
	Consulting	Service	Retail	Other	Total
Goods transferred at a point in time	23,335	3,923	13,048	826	41,132
Services transferred over time	85,255	13,909	46,262	2,930	148,356
Total revenue from contracts with customers	**108,590**	**17,832**	**59,310**	**3,756**	**189,488**

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 2026:

	2027	2028	Total
Revenue expected to be recognised	1,575	788	2,363

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

	31 December 2026	31 December 2025
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**

6. Segment reporting

Guidance note: Segmental reporting of measures reviewed by the CODM
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 these Example Financial Statements are therefore based on substantial assumptions, 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 to reflect the basis of the entity's internal management reporting.

IFRS 8.23(f)

IFRS 8.23 requires specific items to be disclosed if they are included in the measure of profit or loss reviewed by the CODM (even if they are not provided to the CODM separately), or if they are otherwise regularly provided to the CODM, even if not included in the measure of segment profit or loss, including a requirement to disclose 'material items of income and expense' in accordance with IFRS 18.42.

These material items are not limited to only unusual or non-recurring items. Judgement is therefore required in determining the level of detail required, based on the core principle of IFRS 8, which requires an entity to disclose information to enable users to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

IFRS 8.24

The disclosures required will depend on what information is regularly provided to the CODM. If items listed under IFRS 8.23 such as interest are not included in the measure of profit or loss provided to the CODM, but are nevertheless reported regularly to the CODM, these should be disclosed in the segmental reporting. This is consistent with the IFRIC's June 2024 **agenda decision** on the application of IFRS 8.23. The segmental reporting in these Example Financial Statements reflects a situation where the CODM is provided with a measure of profit (CODM operating profit) by segment, and is provided with segmental assets and liabilities information that excludes the amount of investment in associates and joint ventures accounted for by the equity method.

IFRS 8.22(a)
IFRS 8.27(b-d)

Management currently identifies the Group's three service lines as its operating segments (see Note 4.7). The Group's chief operating decision makes (CODM) is its chief executive, and she monitors the performance of these operating segments as well as deciding on the allocation of resources to them. Segmental performance is monitored using segment CODM operating profit. For management reporting purposes, the Group uses the same measurement policies as those used in its financial statements, except that segment CODM operating profit excludes central costs that are not allocated to an operating segment, but includes profit on intersegment trading, and the income and expenses of discontinued operations except where these are centrally managed. Segment CODM operating profit is not a management-defined performance measure, as it is used solely for internal management reporting purposes and is not used in public communications outside these financial statements.

As disclosed in Note 4.7, during the year the previous project consulting and construction operating segments were combined into a single operating segment, on which the CODM now reviews performance and allocates resources. This combined reporting better reflects the connected end-to-end delivery of consumer centric telecommunication consulting services. As such, the comparative information below has been restated to reflect the new operating model.

IFRS 8.16

In addition, two minor operating segments are combined below under other segments. The main sources of revenue for this category are the sale and disposal of used IT equipment the Group collects from its customers, and fees earned from providing telecommunications training and certification services to third parties.

Segment information for the reporting period is as follows:

		For the year ended 31 December 2026				
		Consulting	**Service**	**Retail**	**Other**	**Total**
	REVENUE					
IFRS 8.23(a)	From external customers	110,170	18,140	72,098	3,679	204,087
	Discontinued operations	–	–	9,803	–	9,803
IFRS 8.23(b)	From other segments	231	–	–	–	231
	Segment revenues	**110,401**	**18,140**	**81,901**	**3,679**	**214,121**
IFRS 8.23(f)	Hedging gains and losses	–	–	640	–	640
IFRS 8.23(f)	Costs of sales	(51,954)	(10,712)	(52,287)	(2,557)	(117,510)
	Segment gross profit	**58,447**	**7,428**	**30,254**	**1,122**	**97,251**
IFRS 8.23(f)	Distribution costs	(5,985)	(1,063)	(5,372)	(225)	(12,645)
IFRS 8.23(f)	Administrative expenses	(27,623)	(5,126)	(24,260)	(942)	(57,950)
IFRS 8.23(f)	Restructuring expenses/(release of provision)	510	–	-	-	510
IFRS 8.23(f)	Goodwill impairment loss	(799)	-	-	-	(799)
IFRS 8.23(f)	Other operating income and gains	-	-	130	-	130
IFRS 8.23(f)	Other operating expenses	-	-	(16)	-	(16)
IFRS 8.23	**Segment CODM operating profit (loss)**	**24,550**	**1,239**	**736**	**(45)**	**26,481**
	The following depreciation, amortisation and impairment charges are included within the cost of sales, distribution costs, administrative expenses, and goodwill impairment loss line items above (see Note 8 for further detail):					
IFRS 8.23(e)	Depreciation and amortisation of non-financial assets	(3,922)	(1,104)	(3,273)	(25)	(8,324)
IAS 36.129(a)	Impairment of non-financial assets	(1,669)	-	-	-	(1,669)
IFRS 8.23	**Segment assets**	**66,599**	**14,142**	**66,508**	**2,254**	**149,504**
IFRS 8.23	**Segment liabilities**	**30,555**	**13,908**	**27,003**	**1,124**	**72,591**
IFRS 8.24(b)	Additions to non-current assets	1,801	507	13,818	11	16,137

		For the year ended 31 December 2025 (Restated)				
		Consulting	**Service**	**Retail**	**Other**	**Total**
	REVENUE					
IFRS 8.23(a)	From external customers	108,590	17,832	59,310	3,756	189,488
	Discontinued operations	-	-	11,015	-	11,015
IFRS 8.23(b)	From other segments	110	-	-	-	110
	Segment revenues	**108,700**	**17,832**	**70,325**	**3,756**	**200,613**
IFRS 8.23(f)	Hedging gains and losses	–	–	712	–	712
IFRS 8.23(f)	Costs of sales	(52,962)	(10,435)	(41,716)	(2,375)	(107,487)
	Segment gross profit	**55,738**	**7,397**	**29,321**	**1,381**	**93,838**
IFRS 8.23(f)	Distribution costs	(6,229)	(1,026)	(4,749)	(205)	(12,209)
IFRS 8.23(f)	Administrative expenses	(28,427)	(4,819)	(20,965)	(853)	(55,063)
IFRS 8.23(f)	Restructuring expenses/(release of provision)	(980)	-	-	-	(980)
IFRS 8.23(f)	Goodwill impairment loss	(190)	-	-	-	(190)
IFRS 8.23(f)	Other operating income and gains	-	-	325	-	325
IFRS 8.23(f)	Other operating expenses	-	-	(12)	-	(12)
IFRS 8.23	**Segment CODM operating profit**	**19,913**	**1,552**	**3,921**	**323**	**25,709**
	The following depreciation, amortisation and impairment charges are included within the cost of sales, distribution costs, administrative expenses, and goodwill impairment loss line items above (see Note 8 for further detail):					
IFRS 8.23(e)	Depreciation and amortisation of non-financial assets	(4,779)	(981)	(2,909)	(22)	(8,691)
IAS 36.129(a)	Impairment of non-financial assets	(190)	-	-	-	(190)
IFRS 8.23	**Segment assets**	**52,198**	**10,685**	**50,366**	**1,710**	**114,960**
IFRS 8.23	**Segment liabilities**	**30,573**	**14,317**	**27,782**	**1,186**	**73,858**
IFRS 8.24(b)	Additions to non-current assets	3,626	744	10,929	17	15,316

The Group's exposure to polluting assets is concentrated in the consulting division (and mainly relates to data centres). The net book value of the assets concerned is CU 3,200 at 31 December 2026 (2025: CU 4,000), comprising CU 2,600 (2025: CU 3,250) in Euroland, CU 300 (2025: CU 390) in the UK and CU 300 (2025: CU 360) in the US.

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

Non-current assets by geography	**2026**	**2025 (Restated)**
Euroland (domicile)	61,645	56,530
UK	5,548	5,348
US	15,504	15,164
Other countries	570	1,012
Total non-current assets by geography	**83,267**	**78,054**

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 UK and the US, have been identified on the basis of the customer's geographical location and are disclosed in Note 5.

IFRS 8.34 During 2026, CU 24,744 or 12% (2025: 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 consolidated financial statements as follows:

IFRS 8.28(a)

	2026	2025 (Restated)
REVENUES		
Total reportable segment revenues	210,442	196,857
Other segment revenues	3,679	3,756
Discontinued operations	(9,803)	(11,015)
Elimination of intersegment revenues	(231)	(110)
Group revenues	**204,087**	**189,488**

IFRS 8.28(b)

PROFIT OR LOSS		
Total reportable segment CODM operating profit	26,526	25,386
Other segment profit	(45)	323
Unallocated administrative expenses	(2,030)	(2,823)
Unallocated research and development costs	(1,690)	(1,015)
Unallocated other operating income and gains	299	708
Unallocated other operating expenses	(948)	(658)
Unallocated foreign exchange on trading transactions	937	1,164
Operating profit of discontinued operations	(17)	(4,460)
Elimination of intersegment profits	(58)	(27)
Group operating profit	**22,974**	**18,598**
Share of profits from equity accounted investments	391	141
Income from investment property	1,376	1,203
Fair value movements and income on investments	839	485
Interest expenses on pension liability	(505)	(549)
Interest expenses on borrowings and lease liabilities	(3,314)	(3,284)
Foreign exchange on borrowings	(100)	(70)
Group profit before tax	**21,661**	**16,524**

IFRS 8.5(b)
IFRS 8.23
IFRS 18.117

Guidance note: Are segment measures MPMs?
IFRS 8.23 requires an entity to report a measure of profit or loss for each reportable segment, being the measure reviewed by the CODM for assessing segment performance and allocating resources (IFRS 8.5(b)). In these illustrative financial statements it is assumed that the Group does not use total CODM operating profit or the underlying segment measures, in any public communications outside the financial statements, and therefore the segment measures do not meet the definition of a management-defined performance measure (IFRS 18.117(a)). An entity that does publish a segment-level measure in public communications outside the financial statements would need to assess separately whether it meets the MPM definition, including whether it represents management's view of the performance of the entity as a whole (IFRS 18.117(b)). See Note 7 for the Group's disclosed MPMs.

IFRS 8.5(b)
IFRS 8.23
IFRS 18.117

Guidance note: Segmental profit measures and MPMs may not be the same
A measure of segment profit or loss disclosed in line with IFRS 8 and a MPM disclosed in accordance with IFRS 18 serve different purposes. Even where both are based on the same financial statement line item, for example operating profit, the adjustments made to reach each measure reflect that different purpose, and can differ. A segment measure reflects how the chief operating decision maker assesses the performance of, and allocates resources to, an individual operating segment (IFRS 8.5(b), IFRS 8.23). An MPM reflects management's view of an aspect of the financial performance of the entity as a whole (IFRS 18.117(b)), used in public communications outside the financial statements. The specific items shown in the reconciliations in this note illustrate the kind of differences that can arise, and will vary by entity.

IFRS 8.28(c)

	31 December 2026	31 December 2025 (Restated)
ASSETS		
Total reportable segment assets	147,250	113,249
Other segment assets	2,254	1,710
Group headquarters	3,925	4,133
Investment property	12,662	12,277
Illustrative Research Lab	5,046	5,313
Investments accounted for using the equity method	860	467
Other long-term financial assets	4,051	4,137
Deferred tax assets	1,036	1,472
Elimination of unrealised profit on intersegment sales	(58)	(27)
Group assets	**177,026**	**142,731**

IFRS 8.28(d)

	31 December 2026	31 December 2025 (Restated)
LIABILITIES		
Total reportable segment liabilities	71,467	72,672
Other segment liabilities	1,124	1,186
Pension and employee obligations	11,853	15,138
Deferred tax liabilities	2,939	340
Current tax liabilities	4,174	930
Derivative financial liabilities	–	160
Liabilities of disposal group classified as held for sale	–	14
Group liabilities	**91,557**	**90,440**

IFRS 8.28

The Group's corporate assets, its headquarters, the Illustrative Research Lab and its investment property, are not allocated to any segment. The headquarters and Research Lab are used by central functions rather than an operating segment, and the investment property is held for rental yield rather than as part of segment operations. Other centrally managed balances excluded from segment assets are the Group's investments accounted for using the equity method, its other long-term financial assets, and its deferred tax assets.

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:

IFRS 8.32

	2026	2025 (Restated)
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	59,197	59,404
Construction contracts for telecommunication systems	50,973	49,186
Rendering of services	**128,310**	**126,422**
Total revenues	**204,087**	**189,488**

7. Management-defined performance measures

IFRS 18.117-125

Guidance note: Management-defined performance measures (MPMs)
MPMs are subtotals of income and expenses that the entity uses in public communications outside the financial statements, and which management uses to communicate to users of the financial statements their view of an aspect of the entity's performance as a whole. There is a rebuttable presumption in IFRS 18 that a subtotal of income and expenses used in public communications outside its financial statements communicates management's view of an aspect of the entity's financial performance.

IFRS 18 gives detailed guidance on how to identify MPMs and what does and doesn't constitute an MPM. MPMs are only subtotals of income and expenses, and do not include specific subtotals required by IFRS 18 or other standards. In addition, IFRS 18.118 sets out a list of specific subtotals that are not MPMs.

IFRS 18 introduced new disclosure requirements in relation to MPMs which must be presented in a single note. The disclosures below assume that the MPMs identified, and the way they are calculated, have not changed in the period.

IFRS 18.121, 123(a)-(b)

The Group uses the MPMs 'adjusted operating profit' and 'adjusted EBITDA' in its public communications. These MPMs present management's view of an aspect of the Group's financial performance as a whole. They are not measures specified by IFRS Accounting Standards and therefore might not be comparable to apparently similar measures used by other entities.

Adjusted operating profit presents management's view of the continuing performance of the business. Operating profit is adjusted to remove items that are considered to be unlikely to reoccur for several years. These adjustments include removing impairment of non-financial assets, restructuring costs, and costs arising on a business combination, being transaction costs and the settlement of pre-existing relationships. Adjusted operating profit is considered to provide information that is helpful in understanding trends in underlying profitability of the business. The Group's adjusted operating profit does not reconcile directly to the total of the reportable segments' CODM operating profit (see Note 6). Unallocated central costs are reflected in adjusted operating profit but are not part of the segment profit measures reviewed by the CODM. The results of discontinued operations and profit on intersegment trading, by contrast, are included within segment CODM operating profit but are excluded from adjusted operating profit, which is prepared on a continuing, consolidated basis.

Adjusted EBITDA is considered to present a useful insight into the ongoing operating performance of the business, providing information that is helpful in understanding trends in underlying operating profitability of the business before certain non-cash items. Adjusted EBITDA is calculated as operating profit before depreciation, amortisation and impairments in the scope of IAS 36 'Impairment of Assets', adjusted to remove restructuring costs and costs arising on a business combination, being transaction costs and the settlement of pre-existing relationships. Adjusted EBITDA does not include earnings classified in the investing category.

7.1 Reconciliation to adjusted operating profit 2026

	Subtotal listed in IFRS 18	Impairment losses	Restructuring	Costs arising on a business combination	MPM
Administrative expenses		870	–	223	
(Reversal of restructuring provision)/restructuring expenses		–	(510)	–	
Goodwill impairment loss		799	–	–	
Operating profit/ Adjusted operating profit	**22,974**	**1,669**	**(510)**	**223**	**24,356**
IFRS 18.123(d) Income tax expense		–	153	–	
IFRS 18.123(d) Profit attributable to non-controlling interests		–	(17)	–	

7.2 Reconciliation to adjusted operating profit 2025

	Subtotal listed in IFRS 18	Impairment losses	Restructuring	Costs arising on a business combination	MPM
Administrative expenses		–	–	76	
(Reversal of restructuring provision)/restructuring expenses		–	980	–	
Goodwill impairment loss		190	–	–	
Other operating expenses		–	–	450	
Operating profit/ Adjusted operating profit	**18,598**	**190**	**980**	**526**	**20,294**
IFRS 18.123(d) Income tax expense		–	(274)	–	
IFRS 18.123(d) Profit attributable to non-controlling interests		–	23	–	

IFRS 18.123(e)

Impairment losses relate to the impairment of goodwill and internally developed software intangibles (see Notes 18 and 19). Impairment losses did not yield any tax benefits because they were not eligible for tax deductions.

Restructuring expenses relate to the Group's restructuring programme in Euroland (see Notes 30.1 and 31). The tax effect is calculated using the statutory rate applicable in Euroland of 30% (2025: 28%).

Costs arising on a business combination in 2026 relate to acquisition-related transaction costs on the acquisition of Goodtech GmbH (see Note 15.1). In 2025, these costs related to the acquisition of Good Buy Inc. (see Note 15.2), being transaction costs and the settlement of a pre-existing relationship. These costs did not yield any tax benefits because they were not eligible for tax deductions.

7.3 Reconciliation of operating profit before depreciation, amortisation and impairment

The Group has chosen to reconcile its MPM, adjusted EBITDA, to operating profit before depreciation, amortisation and impairment (see Notes 7.4 and 7.5), rather than a subtotal presented in the consolidated statement of profit or loss. IFRS 18 consequently requires a reconciliation between this subtotal and the most directly comparable total or subtotal in the performance statements. Operating profit before depreciation, amortisation and impairment (OPDAI) is reconciled to operating profit below:

	2026	2025
Operating profit	22,974	18,598
Add back depreciation, amortisation and impairment of non-financial assets:		
Costs of sales	530	519
Distribution costs	520	520
Administrative expenses	8,144	6,887
Goodwill impairment loss	799	190
IFRS 18.118 **Operating profit before depreciation, amortisation and impairment (OPDAI)**	**32,967**	**26,714**

IFRS 18.123(c)
IFRS 18.B140

Guidance note: Reconciliation of MPMs to a subtotal not presented in the statement(s) of financial performance

An entity is permitted to reconcile an MPM to certain subtotals that are not presented in the statement(s) of financial performance. Where this is done, the entity must also provide a reconciliation between that subtotal and the most directly comparable total or subtotal presented in the statement(s) of financial performance, but does not have to provide information about income tax effects or the effect on non-controlling interests in relation to that additional reconciliation. The Group's MPM adjusted EBITDA is reconciled to the IFRS 18.118 measure 'operating profit or loss before depreciation, amortisation and impairments within the scope of IAS 36', and therefore a reconciliation between that measure and the profit or loss statement line item 'Operating profit' is required.

Guidance note: Adjusted EBITDA or adjusted OPDAI

Adjusted EBITDA reflects a measure that is currently commonly used in the marketplace. IFRS 18 introduces 'operating profit or loss before depreciation, amortisation and impairments within the scope of IAS 36' (OPDAI) as a defined subtotal. As market practice develops following the introduction of IFRS 18, some entities may choose to relabel their equivalent MPM as 'Adjusted OPDAI' rather than 'Adjusted EBITDA'. The Group has retained the label 'Adjusted EBITDA' for the 2026 financial statements, reflecting current common usage; however we would expect entities to keep the labelling of their MPMs under review as market practice evolves.

7.4 Reconciliation to adjusted EBITDA 2026

		Subtotal listed in IFRS 18	Restructuring	Costs arising on a business combination	MPM
	Administrative expenses		–	223	
	(Reversal of restructuring provision)/ restructuring expenses		(510)	–	
IFRS 18.118	**Operating profit before depreciation, amortisation and impairment/ Adjusted EBITDA**	**32,967**	**(510)**	**223**	**32,680**
IFRS 18.123(d)	Income tax expense		153	–	
IFRS 18.123(d)	Profit attributable to non-controlling interests		(17)	–	

7.5 Reconciliation to adjusted EBITDA 2025

		Subtotal listed in IFRS 18	Restructuring	Costs arising on a business combination	MPM
	Administrative expenses		–	76	
	Other operating expenses		–	450	
	(Reversal of restructuring provision)/ restructuring expenses		980	–	
IFRS 18.118	**Operating profit before depreciation, amortisation and impairment/ Adjusted EBITDA**	**26,714**	**980**	**526**	**28,220**
IFRS 18.123(d)	Income tax expense		(274)	–	
IFRS 18.123(d)	Profit attributable to non-controlling interests		23	–	

8. Specified expenses by nature

IFRS 18.83

Guidance note: Specified expenses by nature
IFRS 18.83 requires disclosure, in a single note, of:

- the total for each specified nature of expense
- the amount related to each function line item presented in the operating category, and
- an explanation of any line item outside the operating category in which amounts of that nature are also included; the amount within that line item is not required to be disclosed.

The Group has chosen to present the amount included within discontinued operations separately, so that the figures reconcile in full from the operating category to the overall total, although this additional reconciliation is not required by the Standard.

Paragraph 83 also requires that, if the totals disclosed are not the amounts recognised as an expense in the period, for example because part of the total amount has been capitalised in the period, as is the case for employee benefit costs in these Example Financial Statements, a qualitative explanation of that fact and the assets involved is disclosed.

As the Group presents one or more line items in the operating category by function, the table below discloses the total of five specified expenses by nature, the amount related to each function line item in the operating category, and the amount included within discontinued operations (see Note 14).

The amounts disclosed are the amounts recognised as expenses in the statement of profit or loss for the year, except for employee benefits. The amounts disclosed for employee benefits are the costs incurred for the year, including pension costs, for employee services, calculated in accordance with IAS 19 'Employee Benefits', and the amount for services received from employees recognised as required by IFRS 2 'Share-based Payment'. The research and development costs amount includes amounts that have been capitalised into internally developed software.

8.1 For the year ended 31 December 2026

IFRS 18.83

	Costs of sales	Administrative expenses	Distribution costs	Research and development costs	Goodwill impairment loss	Discontinued operations	Total
Depreciation	530	3,746	520	–	–	–	4,796
IAS 38.118(d) Amortisation	–	3,528	–	–	–	–	3,528
Employee benefits	59,538	41,087	11,494	3,015	–	6,100	121,234
IAS 36.126(a) IAS 36 impairment losses and reversals	–	870	–	–	799	–	1,669
Write-downs and reversals of write-downs of inventories	361	–	–	–	–	–	361

8.2 For the year ended 31 December 2025

IFRS 18.83

	Costs of sales	Administrative expenses	Distribution costs	Research and development costs	Goodwill impairment loss	Discontinued operations	Total
Depreciation	519	3,836	520	–	–	765	5,640
IAS 38.118(d) Amortisation	–	3,051	–	–	–	–	3,051
Employee benefits	57,129	40,354	11,017	1,165	–	6,411	116,076
IAS 36.126(a) IAS 36 impairment losses and reversals	–	–	–	–	190	–	190
Write-downs and reversals of write-downs of inventories	389	–	–	–	–	–	389

9. Other operating income and gains and other operating expenses

	2026	2025
IFRS 18.B26(b) Other operating income	299	708
IFRS 18.B70, B72 Fair value gains on forward exchange contracts held for trading	130	325
Total other operating income and gains	**429**	**1,033**

See Note 4.19 for the basis of classification of fair value gains on forward exchange contracts held for trading.

IFRS 18.B26(b) Other operating income consists of individual items for which information is not material, with the largest amount in 2026 relating to proceeds from sale of unused electricity under a power purchase agreement (2026: CU 68, see Note 39), and in 2025 relating to compensation received on settlement of a legal claim against a former supplier (2025: CU 400).

IFRS 18.B26(b) Other operating expenses of CU 948 (2025: CU 670) are made up of a large number of individually immaterial items, none of which is material on its own. These include items such as remeasurement of contingent consideration, settlement of minor legal claims, and other non-recurring, corporate-level costs that do not relate to the trading activities of the operating segments.

10. Financing expenses

	2026	2025
Interest on borrowings (Note 10.1)	926	709
Interest on lease liabilities (Note 10.3)	2,388	2,575
Interest expenses on borrowings and lease liabilities (as presented in the statement of profit or loss)	**3,314**	**3,284**
Foreign exchange on borrowings (Note 10.2, as presented in the statement of profit or loss)	100	70
Net interest on pension obligations (Note 10.4)	505	549
Total financing expenses	**3,919**	**3,903**

10.1 Interest on borrowings (Note 23.5)

		2026	2025
	Interest – subordinated shareholder loan	200	200
	Interest – other borrowings at amortised cost	806	587
IFRS 7.20(b)	**Total interest expense on financial liabilities not at fair value through profit or loss**	**1,006**	**787**
IAS 23.26(a)	Less: borrowing costs capitalised	(80)	(78)
	Total interest on borrowings	**926**	**709**

The average capitalisation rate for interest expense included in the cost of qualifying assets was 4.4% (2025: 4.5%).

10.2 Foreign exchange loss on borrowings

		2026	2025
IFRS 7.20(a)(v)	Foreign exchange loss on borrowings	100	70

Guidance note: Presentation of foreign exchange differences on borrowings
The foreign exchange loss on borrowings (CU 100; 2025: CU 70) is assumed to be material for the purposes of these illustrative financial statements. It is different in nature from the interest expense arising on the borrowings: interest reflects the time value of money on the amounts borrowed, whereas the foreign exchange loss reflects movements in exchange rates between the currency of the borrowing and the Group's functional currency.

The Group has therefore presented it as a separate line item, 'Foreign exchange on borrowings', rather than aggregating it within 'Interest expenses on borrowings and lease liabilities'. See the guidance note at Note 3.1.1 for the Group's policy on foreign exchange presentation generally, including the corresponding treatment of foreign exchange on trading transactions.

10.3 Interest on lease liabilities

		2026	2025
IFRS 16.53(b)	Interest on lease liabilities (Note 21)	2,388	2,575

10.4 Net interest on pension obligations

		2026	2025
IAS 19.141(b)	Net interest expense on the defined benefit obligation (Note 30.3)	505	549

See Note 4 and Note 3.1.1 for the basis of classification of these items.

11. Fair value movements and income on financial investments

		2026	2025
	Interest income from cash and cash equivalents	484	357
	Interest income from financial assets at amortised cost	177	200
IFRS 7.20(b)	**Total interest income on financial assets not at fair value through profit or loss**	**661**	**557**
IFRS 7.20(a)(i)	Net gains/(losses) on financial assets at fair value through profit or loss	110	(90)
	Other individually immaterial movements and returns on financial investments	68	18
	Total fair value movements and income on financial investments	**839**	**485**

Dividends received, fair value gains on other financial assets at fair value through profit or loss, and impairment of debt investments are individually immaterial in both years presented and are aggregated in the line above. Net gains and losses on financial assets at fair value through profit or loss above relate to equity investments (see Note 23.3).

12. Income tax expense

IAS 12.79
IAS 12.81(c)

The major components of tax expense[3] and the reconciliation of the expected tax expense based on the domestic effective tax rate of Illustrative Corporation Ltd at 30% (2025: 28%) and the reported tax expense in profit or loss is as follows:

		2026	2025
IAS 12.81(c)(i)	Profit before tax	21,661	16,524
IAS 12.85	Domestic tax rate for Illustrative Corporation	30%	28%
	Expected tax expense	**6,498**	**4,627**
IAS 12.84	Adjustment for tax rate differences in foreign jurisdictions	16	30
IAS 12.84	Adjustment for tax-exempt income:		
	– Relating to equity accounted investments	(24)	(41)
	– Other tax-exempt income	(102)	(100)
IAS 12.84	Adjustment for non-deductible expenses:		
	– Relating to goodwill impairment	232	53
	– Impairment of financial assets	48	63
	– Non-deductible transaction costs on acquisition of subsidiary	67	147
	– Other individually immaterial non-deductible expenses	59	109
	Actual tax expense	**6,794**	**4,888**
IAS 12.80	Tax expense comprises:		
	– 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 24 provides information on deferred tax assets and liabilities. Note 28.3 provides information on deferred income tax recognised directly in each component presented within other components of equity; the deferred tax on the pension remeasurement is included within Note 24.

13. 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 Ltd) as the numerator, ie no adjustments to profit were necessary in 2026 or 2025.

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:	2026	2025
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**

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

14. Disposal groups classified as held for sale, discontinued operations and disposals of subsidiaries

IFRS 5.41(a)-(d)

At the end of 2025, management decided to discontinue in-store sale of IT and telecommunications hardware in line with the Group's strategy to focus on its online retail business. Consequently, assets and liabilities allocable to Highstreet Ltd (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 consolidated statement of profit or loss.

On 30 September 2026, 100% of equity interest in Highstreet Ltd was sold for a total of CU 3,117 in cash resulting in a loss of CU 29 before tax.

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

		2026	2025
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	(146)	(160)
	Operating profit and profit from discontinued operations before tax	**17**	**46**
	Tax expense	(5)	(14)
	Profit for year	**12**	**32**
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	(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 2027.

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

	2026	2025
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:

IFRS 5.33(c)

	2026	2025
Operating activities	(22)	811
Investing activities	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.

IAS 7.40(b) The consideration was received fully in cash in 2026. At the date of disposal, the carrying amounts of Highstreet's net assets were as follows:

IAS 7.40(d)

	2026
Property, plant and equipment	2,475
Total non-current assets	**2,475**
Inventories	1,121
IAS 7.40(c) Cash and cash equivalents	–
Total current assets	**1,121**
Provisions	(232)
Borrowings	(8)
Trade and other payables	(210)
Total current liabilities	(450)
Total net assets	**3,146**
IAS 7.40(a) Total consideration received in cash	3,117
Cash and cash equivalents disposed of	–
IAS 7.42 **Net cash received**	**3,117**
IFRS 10.25 **Loss on disposal**	**(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.

15. Acquisitions

15.1 Acquisition of Goodtech GmbH in 2026

IFRS 3.B64 (a-d) On 31 March 2026, 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 online retail market for computer and telecommunications hardware in Euroland. Goodtech is a significant business in Euroland in the Group's targeted market.

The details of the business combination are as follows:

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 (Note 20)	4,622
	Intangible assets (Note 19)	5,255
	Investment property (Note 22)	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 (Note 18)	**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 2026 and 2027 exceed a target level agreed by both parties. The additional consideration will be paid on 1 April 2028. The CU 600 of contingent consideration liability 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 a discount rate of 4.4%. As at 31 December 2026, 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.

Guidance note: 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.

IFRS 18.52 Acquisition-related transaction 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, within administrative 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.B64(e)
IFRS 3.B64(k)

Goodwill of CU 2,438 is primarily 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 2026 to the reporting date, primarily due to integration costs. Revenue for the nine months to 31 December 2026 was CU 24,800.

If Goodtech had been acquired on 1 January 2026, revenue of the Group for 2026 would have been CU 212,000, and profit for the year would have increased by CU 14,000.

15.2 Acquisition of Good Buy Inc. in 2025

IFRS 3.B64 (a-d) On 30 June 2025, the Group acquired 100% of the equity instruments of Good Buy Inc. (Good Buy), a Delaware (US) based business, thereby obtaining control. The acquisition of Good Buy was made to enhance the Group's position as an online retailer for computer and telecommunications hardware in the US market.

The details of the business combination are as follows:

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 (Note 20)	3,148
	Intangible assets (Note 19)	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)
	Indirect tax liabilities	(657)
	Trade and other payables	(4,990)
	Total current liabilities	**(6,881)**
	Identifiable net assets	**9,851**
	Goodwill on acquisition (Note 18)	**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 (g)(i-iii)
IFRS 3.B64(j)
IFRS 3.B64(m)
IFRS 18.B49(f) Acquisition-related transaction 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, within administrative expenses.

Settlement of pre-existing relationship

IFRS 3.B64(l)(iv) The Group and Good Buy Inc. were parties to a long-term supply agreement. Good Buy Inc. provided services to entities within the Group at agreed contract rates. This pre-existing relationship was terminated at the acquisition date. The Group has determined that the fair value to settle the pre-existing relationship was CU 450. The fair value of the settlement has been determined based on an assessment of the difference between current market rates and the rates previously agreed in the long-term contract for the supply of services. This amount has been included within other operating expenses for the year.

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 the sales force and the sales know-how of key personnel. 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 2025 to 31 December 2025. If Good Buy had been acquired on 1 January 2025, revenue of the Group for 2025 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 2025 reporting period cannot be determined reliably.

16. Interests in subsidiaries

16.1 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 period-end	
			2026	2025
Goodtech GmbH	Euroland	Online retailer of computer and telecommunications hardware	100%	–
Good Buy Inc.	US	Online 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	Online sales of hardware and software products	100%	100%
Highstreet Ltd	UK	In-store sale of IT and telecommunications hardware	–	100%

IFRS 12.11
IFRS 10.B92 The annual reporting date of Tech Squad Ltd is 30 September, to align with the year ends of its major competitors. Additional information is obtained by the Group, including monthly management accounts for the period between 30 September and 31 December to allow the parent to consolidate the financial information of Tech Squad Ltd as at 31 December.

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 11.

IFRS 10.5–7
IFRS 10.B41-B46

Management continually reassesses its involvement in Equipe in accordance with IFRS 10 'Consolidated Financial Statements' control definition and guidance. It has concluded it has significant influence but not outright control at both reporting dates. 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 a sufficient number of the smaller shareholders participate in such a way that they, along with the two other main shareholders, have prevented the Group from having the practical ability to direct the relevant activities of Equipe unilaterally.

16.2 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	
	2026	2025	2026	2025	2026	2025
Tech Squad Ltd	20%	20%	121	116	713	592

IFRS 12.B10(a)

No dividends were paid to the NCI during the years ended 31 December 2026 and 2025.

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)

	2026	2025
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**

	2026	2025
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**

	2026	2025
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.

16.3 Interests in unconsolidated structured entities

IFRS 12.24 The Group has no interests in any unconsolidated structured entities during both of the reporting periods presented.

17. Investments accounted for using the equity method

17.1 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	
			2026	2025
Halftime Ltd	UK	Online 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:

		2026	2025
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)	–

		2026	2025
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:

	2026	2025
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 ended 31 December 2026 and 2025.

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

IFRS 12.23 The Group has no additional commitments relating to Halftime.

17.2 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 its individually immaterial associates (Equipe and Shopmore GmbH) is as follows:

		2026	2025
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 interest in its individually immaterial associates (Equipe and Shopmore)**	**377**	**245**

IFRS 12.22(c)
IFRS 12.23(b) In 2023, the Group stopped recognising its share of losses in Shopmore GmbH because it has no further obligations arising from incurring these losses; accordingly, Shopmore GmbH's recognised carrying amount and share of profit or loss are nil and are not reflected in the aggregated financial information above. In 2026, the Group's cumulative unrecognised proportionate share of the losses of Shopmore GmbH amounted to CU 220 (2025: CU 190), of which CU 30 (2025: CU 25) arose in the year.

The Group has contingent liabilities pertaining to legal claims amounting to CU 40 (2025: CU 25) incurred jointly with other investors in the Group's associates.

18. Goodwill

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

		2026	2025
	GROSS CARRYING AMOUNT		
IFRS 3.B67(d)(i)	Balance 1 January	3,727	1,234
IFRS 3.B67(d)(ii)	Acquired through business combination (Note 15)	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)	Net 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 2026	31 December 2025
Retail	4,796	2,493
Consulting	245	1,044
	5,041	**3,537**

IAS 36.134(c-d)
IAS 36.130(e)

The Group tests cash-generating units with goodwill annually for impairment, or more frequently if there is an indication that a cash-generating unit to which goodwill has been allocated may be impaired. The recoverable amount of a cash generating unit is the higher of the cash-generating unit's fair value less cost of disposal (FVLCD) and its value-in-use.

FVLCD is determined based on the market capitalisation approach, using the turnover and earnings multiples derived from observable market data. The fair value measurement is categorised as a Level 2 fair value based on the inputs in the valuation techniques used.

Calculation of the value-in-use is determined based on a detailed five-year forecast approved by management, with expected cash flows beyond the five-year period extrapolated using a declining growth rate determined by management. The present value of the expected cash flows of each cash generating unit is determined by applying a suitable discount rate reflecting current market assessments of the time value of money.

The values of key assumptions used reflect historical data from both external and internal sources. Licences amounting to CU 561 (2025: CU 561) are intangible assets with indefinite useful life. They are part of the retail segment.

Recoverable amount of each operating segment	31 December 2026	31 December 2025
Retail	41,835	30,679
Consulting	62,562	48,354

	Growth rates		Discount rates	
	2026	2025	2026	2025
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.

At this stage, and considering the direct exposure of the Group to the climate changes, management has considered growth rates were not significantly affected and were still consistent with long-term perspectives of its industry and expectations from market participants. Despite risks mentioned in Note 4.3, climate-related matters could nevertheless generate new business opportunities for the Group (eg acceleration of the Group's digital transformation presents a major opportunity for the Group to develop new consulting missions or accelerated technological progress together with the development of the circular economy. This could help the Group to gain a stronger foothold in the highly competitive market of retailing telecommunications hardware).

Discount rates

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

Cash flow assumptions

The Group scrutinises climate-related matters to identify whether any event (eg new regulation) associated with climate change is an indicator of impairment of its non-current assets. Without being an indicator of impairment, climate-related matters may nevertheless negatively affect several assumptions used for determining the estimated cash flows used in computing the value-in-use for the impairment test. Projections of cash flows as referred to above are extracted from the Group's business plan for the next five years and take account of actions plans implemented by management to reduce its greenhouse gas emissions, the effect of newly endorsed environmental regulations and the cost of adaptation of its infrastructure (mainly data centres) and mitigation efforts.

At this stage, those assumptions and the climate strategy of the Group have not resulted in a material impact on the recoverable amount of its non-current assets.

Retail segment

IAS 36.134(d)(i)
IAS 36.134(d)(ii)

The estimate of FVLCD for this segment is determined based on earnings before interest, tax, depreciation and amortisation (EBITDA) multiples of comparable listed entities.

Under the income approach, management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes 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.

IAS 36.134(f)
IAS 8.31A

The recoverable amount of 'Retail segment' was substantially in excess of its carrying amount. A 1% decrease in EBITDA would reduce the headroom in 'Retail segment' by CU 562 in 2026 (2025: CU 463) but would not result in an impairment loss.

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 2025 for the continued decline in consulting services related to conventional telecommunication solutions. The market shift seen in recent years, towards inter and intranet-based solutions continued in 2026. As a result, management expects lower growth and moderately declining profit margins for this segment.

Impairment testing, taking into account the latest developments, resulted in the further reduction of goodwill in 2026 to its recoverable amount. See Note 19 for the impairment of other intangible assets.

IAS 38.118(d)

The related goodwill impairment loss of CU 799 in 2026 (2025: CU 190) was included within depreciation, amortisation and impairment of non-financial assets.

IAS 36.134(f)
IAS 8.31A

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. A 1% decrease in forecasted EBITDA would result in additional impairment loss in 'Consulting segment' by CU 238 in 2026 (2025: CU 196). Management is not currently aware of any other reasonably possible changes to key assumptions that would cause the carrying amount of the consulting segment to exceed its recoverable amount.

As this assumption is important in determining recoverable value of the consulting segment, sensitivity analyses are conducted on long-term price curves of electricity when impairment tests are carried out. The outcome of this analysis does not result in any potential impairment loss.

19. Other intangible assets

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

		Acquired software licences	Internally developed software	Licences	Brand names	Customer lists	Total
IAS 38.118	**GROSS CARRYING AMOUNT**						
IAS 38.118(c)	Balance at 1 January 2026	13,608	14,233	561	760	374	29,536
IAS 38.118(e)(i)	Additions, separately acquired	440	–	–	–	–	440
IAS 38.118(e)(i)	Additions, 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 2026**	**16,469**	**17,485**	**561**	**975**	**1,761**	**37,251**
	AMORTISATION AND IMPAIRMENT						
IAS 38.118(c)	Balance at 1 January 2026	(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 2026**	**(7,739)**	**(11,602)**	–	**(287)**	**(199)**	**(19,827)**
	Carrying amount 31 December 2026	**8,730**	**5,883**	**561**	**688**	**1,562**	**17,424**

		Acquired software licences	Internally developed software	Licences	Brand names	Customer lists	Total
IAS 38.118	**GROSS CARRYING AMOUNT**						
IAS 38.118(c)	Balance at 1 January 2025	8,672	14,039	561	–	–	23,272
IAS 38.118(e)(i)	Additions, separately acquired	3,097	–	–	–	–	3,097
IAS 38.118(e)(i)	Additions, 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 2025**	**13,608**	**14,233**	**561**	**760**	**374**	**29,536**
	AMORTISATION AND IMPAIRMENT						
IAS 38.118(c)	Balance at 1 January 2025	(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(e)(iv)	Impairment losses	-	-	–	-	-	-
IAS 38.118(c)	**Balance at 31 December 2025**	**(6,063)**	**(9,381)**	–	**(162)**	**(89)**	**(15,695)**
	Carrying amount 31 December 2025	**7,545**	**4,852**	**561**	**598**	**285**	**13,841**

IAS 23.8
IAS 38.126

Additions to internally developed software include capitalised borrowing costs of CU 80 (2025: CU 78). Research and development costs of CU 1,690 (2025: CU 1,015) relating to employee benefits were expensed in the statement of profit or loss rather than capitalised.

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 (2025: nil) was recognised for internally developed software used to provide certain after-sales and maintenance services within the consulting segment (see Note 6). The recoverable amount of the asset is its value-in-use, determined using management's expectation 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 18 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 (2025: CU 970) would be reduced to CU Nil.

IAS 38.122(e)

During the year ended 31 December 2026, 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 2027. There are no other material contractual commitments at 31 December 2026 (2025: None).

20. Property, plant and equipment

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

		Land	Buildings	IT equipment	Other equipment	Total
	GROSS CARRYING AMOUNT					
IAS 16.73(d)	Balance 1 January 2026	7,697	14,499	4,379	2,334	28,909
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 31 December 2026**	**8,709**	**15,314**	**6,606**	**2,645**	**33,274**
	DEPRECIATION AND IMPAIRMENT					
IAS 16.73(d)	Balance 1 January 2026	–	(11,019)	(783)	(913)	(12,715)
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	–	(954)	(641)	(530)	(2,125)
IAS 16.73(d)	**Balance 31 December 2026**	–	**(11,712)**	**(1,477)**	**(1,479)**	**(14,668)**
	Carrying amount 31 December 2026	**8,709**	**3,602**	**5,129**	**1,166**	**18,606**

		Land	Buildings	IT equipment	Other equipment	Total
	GROSS CARRYING AMOUNT					
IAS 16.73(d)	Balance 1 January 2025	7,697	18,204	3,116	966	29,983
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 31 December 2025**	**7,697**	**14,499**	**4,379**	**2,334**	**28,909**
	DEPRECIATION AND IMPAIRMENT					
IAS 16.73(d)	Balance 1 January 2025	–	(12,164)	(1,334)	(551)	(14,049)
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	–	(1,983)	(429)	(554)	(2,966)
IAS 16.73(d)	**Balance 31 December 2025**	**–**	**(11,019)**	**(783)**	**(913)**	**(12,715)**
	Carrying amount 31 December 2025	**7,697**	**3,480**	**3,596**	**1,421**	**16,194**

The Group reviewed the useful lives of its main IT equipment assets potentially affected by its strategy to reduce greenhouse gas emissions generated by its activities (see Note 4.3) and concluded that no changes were required at this stage. This is consistent with the Group's overall climate commitments and measures the Group will implement in the future.

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 23.5).

IAS 16.74(c)

The Group has a contractual commitment to acquire IT equipment of CU 1,304 payable in 2027. There were no other material contractual commitments to acquire property, plant and equipment at 31 December 2026 (2025: None).

The Group has no capital work in progress at 31 December 2026 (2025: nil).

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 (2025: CU 6,712). The revalued amounts include a revaluation surplus of CU 1,288 before tax (2025: CU 985), which is not available for distribution to the shareholders of Illustrative Corporation.

A review of the useful life for fixed assets has been performed in regard to climate change and environmental regulations as known at the reporting date and which has not identified any significant impact to the Group's carrying amounts of property, plant and equipment.

Fair value measurement of the land
See Note 40.2.

21. Leases

IFRS 16.52

Right-of-use assets

IFRS 16.47(a)(ii)

	Buildings	IT equipment	Total
GROSS CARRYING AMOUNT			
Balance 1 January 2026	33,163	2,967	36,130
Additions	–	–	–
Disposals	–	–	–
Balance 31 December 2026	**33,163**	**2,967**	**36,130**
DEPRECIATION AND IMPAIRMENT			
Balance 1 January 2026	(3,015)	(910)	(3,925)
Disposals	–	–	–
IFRS 16.53(a) Depreciation	(2,236)	(435)	(2,671)
Balance 31 December 2026	**(5,251)**	**(1,345)**	**(6,596)**
IFRS 16.53(j) **Carrying amount 31 December 2026**	**27,912**	**1,622**	**29,534**

	Buildings	IT equipment	Total
GROSS CARRYING AMOUNT			
Balance 1 January 2025	33,163	2,967	36,130
Additions	–	–	–
Disposals	–	–	–
Balance 31 December 2025	**33,163**	**2,967**	**36,130**
DEPRECIATION AND IMPAIRMENT			
Balance 1 January 2025	(780)	(471)	(1,251)
IFRS 16.53(a) Depreciation	(2,235)	(439)	(2,674)
Balance 31 December 2025	**(3,015)**	**(910)**	**(3,925)**
IFRS 16.53(j) **Carrying amount 31 December 2025**	**30,148**	**2,057**	**32,205**

Lease liabilities

IFRS 16.47(b) Lease liabilities are presented in the consolidated statement of financial position as follows:

	31 December 2026	31 December 2025
Current	2,522	2,506
Non-current	31,194	33,003
	33,716	**35,509**

IFRS 16.59(a) The Group has leases for the main warehouse and related facilities, an office and production building and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 20).

IFRS 16.59(c)

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure right-of-use assets and incur maintenance fees on such items in accordance with the lease contracts.

IFRS 16.59

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the consolidated statement of financial position at 31 December 2026:

IFRS 16.59(b)(ii)

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with options to purchase	No of leases with variable payments linked to an index	No of leases with termination options
Office building	2	10-20 years	15 years	2	1	1	0
Warehouse and related facilities	3	14-16 years	15 years	2	0	3	0
IT equipment	35	2-6 years	3 years	0	20	0	0

IFRS 16.53(b)

Interest expense on lease liabilities is disclosed in Note 10.3.

The lease liabilities are secured by the related underlying assets. Future lease payments at 31 December 2026 were as follows:

IFRS 16.58

	Lease payments due						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
31 DECEMBER 2026							
Lease payments	2,979	2,960	2,960	2,942	2,935	21,702	36,478
Finance charges	(457)	(360)	(340)	(272)	(260)	(1,073)	(2,762)
Net present values	**2,522**	**2,600**	**2,620**	**2,670**	**2,675**	**20,629**	**33,716**
31 DECEMBER 2025							
Lease payments	2,966	2,960	2,942	2,935	2,957	23,858	38,618
Finance charges	(460)	(311)	(282)	(387)	(189)	(1,480)	(3,109)
Net present values	**2,506**	**2,649**	**2,660**	**2,548**	**2,768**	**22,378**	**35,509**

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

IFRS 16.54 The expense relating to payments not included in the measurement of the lease liability is as follows:

		31 December 2026	31 December 2025
IFRS 16.53(c)	Short-term leases	1,324	1,560
IFRS 16.53(d)	Leases of low-value assets	160	195
IFRS.16.53(e)	Variable lease payments	475	534
		1,959	**2,289**

IFRS 16.55 At 31 December 2026 the Group was committed to short-term leases and the total commitment at that date was CU 5,960 (2025: CU 6,549).

IFRS 16.59(b)(i) Variable lease payments expensed on the basis that they are not recognised as a lease liability include rentals based on revenue from the use of the underlying asset and excess use charges on office equipment. Variable payment terms are used for a variety of reasons, including minimising costs for IT equipment with infrequent use. Variable lease payments are expensed in the period they are incurred. Potential future variable lease payments the Group are exposed to at 31 December 2026 are estimated to be:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
31 DECEMBER 2026							
Variable lease payments	452	436	412	401	401	0	2,102
31 DECEMBER 2025							
Variable lease payments	470	450	435	415	400	400	2,570

IFRS 16.59(b)(ii) The potential additional future cash flows to which the Group is exposed if extension options are exercised are as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
31 DECEMBER 2026							
Extension options	51	36	42	40	0	0	169
31 DECEMBER 2025							
Extension options	68	52	36	45	40	0	241

IFRS 16.59(b)(iv) At 31 December 2026 the Group had committed to leases which had not yet commenced. The total future cash outflows for leases that had not yet commenced were as follows:

Type of asset	31 Dec 2026	31 Dec 2025
IT equipment	4,900	–
	4,900	**–**

IFRS 16.53(g) Total cash outflow for leases for the year ended 31 December 2026 was CU 5,473 (2025: CU 1,919).

Operating leases as lessor

IFRS 16.92(a) The Group leases out investment properties under operating leases consisting of certain office buildings (see Note 22).

> **Guidance note:** A sale and leaseback transaction is one where an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) for consideration and leases that asset back from the buyer-lessor. Refer to our article '**Insights into IFRS 16 – Sale and leaseback accounting**' for more information on accounting and presentation requirements.
>
> Entities who have entered into sale and leaseback transactions may additionally include the lessee's reasons for sale and leaseback transactions and the prevalence of those transactions; key terms and conditions of individual sale and leaseback transactions; payments not included in the measurement of lease liabilities; and the cash flow effect of sale and leaseback transactions in the reporting period.

22. Investment property

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

IFRS 13.93(a)
IAS 40.76 Note 40.2 sets out how the fair value of the investment properties has been determined.

Changes to the carrying amounts are as follows:

		2026	2025
	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 (2025: CU 8,113).

IAS 40.75(f)
IFRS 16.92(a)
IFRS 16.90(b)
IFRS 16.92(b) Investment properties are either leased to third parties on operating leases or are vacant. Rental income of CU 1,066 (2025: CU 1,028) is classified in the investing category and presented within income from investment property and includes CU 37 (2025: CU 34) from variable lease payments not dependent on an index or rate. Direct operating expenses of CU 213 (2025: CU 206) are classified in the operating category and presented within administrative expenses, of which CU 18 (2025: CU 12) is incurred on vacant properties that did not generate rental income.

Although the risks associated with rights the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Group when a property has been subjected to excess wear-and-tear during the lease term. The unguaranteed residual values do not represent a significant risk for the Group, as they relate to properties in locations where market value, year on year, has always increased. The lessee does not have an option to purchase the property at the expiry of the lease period.

IFRS 16.92
IFRS 16.97

The lease contracts are all non-cancellable for eight years from the commencement of the lease. Maturity analysis of future operating lease rentals are as follows:

IFRS 16.97

	Undiscounted lease payments due						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
31 December 2026	1,030	1,124	1,227	1,339	1,460	1,978	8,158
31 December 2025	1,075	1,173	1,280	1,397	1,525	2,090	8,540

23. Financial assets and liabilities

23.1 Categories of financial assets and financial liabilities

Note 4.19 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 2026	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**
Bank deposit	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 financial assets	**68,868**	**1,288**	**601**	**70,757**

[a] these amounts only represent trade receivables that are financial assets (see Note 26)

31 December 2026	Other liabilities at FVTPL	Other liabilities (amortised cost)	Lease liabilities	Total
FINANCIAL LIABILITIES				
Non-current borrowings	–	21,070	–	21,070
Current borrowings	–	4,815	–	4,815
Trade and other payables	–	8,497	–	8,497
Lease liabilities	–	–	33,716	33,716
Contingent consideration	620	–	–	620
Total financial liabilities	**620**	**34,382**	**33,716**	**68,718**

31 December 2025	Amortised cost	FVTPL	Derivatives used for hedging (FV)	Total
FINANCIAL ASSETS				
Bonds and debentures	3,074	–	–	3,074
Other investments	–	1,063	–	1,063
Other long-term financial assets	**3,074**	**1,063**	**–**	**4,137**
Bank deposit	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 financial assets	**38,361**	**1,275**	**230**	**39,866**

[a] these amounts only represent trade receivables that are financial assets (see Note 26)

31 December 2025	Other liabilities at FVTPL	Other liabilities (amortised cost)	Lease liabilities	Total
FINANCIAL LIABILITIES				
Non-current borrowings	–	21,265	–	21,265
Current borrowings	–	3,379	–	3,379
Trade and other payables	–	6,550	–	6,550
Lease liabilities	–	–	35,509	35,509
Derivative financial instruments	160	–	–	160
Total financial liabilities	**160**	**31,194**	**35,509**	**66,863**

IFRS 7.29(d)

Guidance note: Lease liabilities and fair value disclosure
Lease liabilities are included above to present a complete picture of the Group's financial liabilities, but are not included in the fair value disclosures below, as IFRS 7 does not require fair value disclosure for lease liabilities.

IFRS 7.33

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 38.

IFRS 13.91(a)

The methods used to measure financial assets and liabilities reported at fair value are described in Note 40.1.

23.2 Financial assets at amortised cost

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 2028 and 2029. The carrying amounts (measured at amortised cost) and fair values of these bonds are as follows:

	31 December 2026	31 December 2025
IFRS 7.8(f) **Carrying amount at amortised cost:**		
– Zero coupon bonds	1,077	1,159
– US straight bonds	1,704	1,803
– Debentures	97	112
	2,878	**3,074**
IFRS 7.8(a) **Fair value:**		
– Zero coupon bonds	1,101	1,156
– US straight bonds	1,705	1,809
– Debentures	99	114
	2,905	**3,079**

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.

IFRS 7.25
IFRS 7.29(a)

All amounts are short-term. The carrying value of the bank deposit is considered a reasonable approximation of fair value.

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

IFRS 7.8(a) Financial assets at FVTPL include the equity investment in XY Ltd, and listed equity securities. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for it at FVOCI.

	31 December 2026	31 December 2025
NON-CURRENT		
Investment in XY Ltd	752	720
Listed equity securities	421	343
Total	**1,173**	**1,063**

23.4 Derivative financial instruments and hedge accounting

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

		31 December 2026	31 December 2025
IFRS 18.42 IFRS 7.24A(a)	US-dollar forward contracts – cash flow hedge	467	–
IFRS 18.42 IFRS 7.24A(a)	GBP forward contracts – cash flow hedge	134	230
IFRS 18.42	Other forward exchange contracts – held-for-trading	115	212
	Derivative financial assets	**716**	**442**
IFRS 18.42 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 (USD) and British pounds (GBP) (where this is not the functional currency of the Group entity making the sale). The Group's policy is to hedge up to 75% of all highly probable forecast non-CU sales in the US and the UK a quarter in advance of the forecast sales transaction. During the year ended 31 December 2026, 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 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 derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position.

To the extent 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 the year ended 31 December 2026 a gain of CU 890 (2025: CU 540) was recognised in other comprehensive income.

During the year ended 31 December 2026 a gain of CU 640 (2025: CU 712) was reclassified from equity into profit or loss.

The cumulative gain recorded in equity is CU 390 (2025: 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 between the USD and GBP forwards. This is because some required disclosures would not be appropriately disclosed without separating the two forwards. IFRS 7 does not prescribe risk categories. IFRS 7.BC35O says an entity should apply judgement and categorise risks on the basis of how it manages its risks through hedging.

The following movements in the 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 2025	196	116	312
IFRS 7.24E(b),(c)	Change in fair value of hedging instrument recognised in OCI	199	341	540
IFRS 7.24C(b)(iv)	Reclassified from OCI to profit or loss	(435)	(277)	(712)
	Deferred tax	–	–	–
	Closing balance 31 December 2025	**(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 2026	**264**	**126**	**390**

IFRS 7.24C(b)(v) The amounts reclassified to profit or loss have been presented within hedging gains and losses.

IFRS 7.24C(b)(ii) and (iii) IFRS 7.24E No ineffectiveness arose during the year ended 31 December 2026 (2025: 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 consolidated financial position and performance is as follows, including the outline timing and profile of the hedging instruments:

		31 December 2026	31 December 2025
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 2027	January to March 2026
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 or loss occurs at the time of the associated sale being recognised and then further movements to profit or 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 result from either (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, or (c) potential over-hedging should volumes of highly probable sales fall below hedged amounts.

Due to the low interest rate environment, 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.

23.5 Borrowings

IFRS 18.B106

Guidance note: Non-current debts with covenants

IAS 1 had disclosure requirements for loan arrangements classified as non-current, when the entity's right to defer settlement is subject to the entity complying with covenants within 12 months after the reporting period. These requirements have been carried forward into IFRS 18.B106 and continue to apply on adoption of IFRS 18.

In such situations, the entity shall disclose information that enables users of financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period, specifically:

- Information about the covenant (the nature and when the entity is required to comply with it)
- The carrying amount of related liabilities, and
- Facts and circumstances that may indicate that the entity could have difficulties complying with covenants (if any). For instance, the entity may consider whether it has acted during or after the reporting period to avoid or mitigate a potential breach, or whether it would not have complied with the covenants if they were to be assessed for compliance based on the entity's circumstances at the end of the reporting period.

Borrowings include the following financial liabilities:

	Current		Non-current	
	31 Dec 2026	31 Dec 2025	31 Dec 2026	31 Dec 2025
IFRS 7.8(g) **At amortised cost:**				
USD 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:**				
USD 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 USD loans, all borrowings are denominated in CU.

Borrowings at amortised cost

IFRS 7.31
IFRS 18.101(d)

USD loans are secured over investment properties owned by the Group (see Note 22). The interest rate on the loan is fixed at 3%.

Furthermore, the contractual terms of the loan include a 'group debt to revenue' covenant that requires repayment on demand of the loan if the amount of the annual revenue is less than six times the amount of the Group's total debt (calculated as the sum of the Group's borrowings – excluding the lease liability – and trade and other payables at the end of the annual period). Expecting that the ratio will not be met by the end of the annual reporting period (mainly due to delay of an important contract of consulting services from October 2026 to January 2027), the entity entered into negotiations with the lending bank in November 2026 and obtained a waiver as of December 2026 to change the ratio from six times the amount of the Group's total debt to 5.5 times. As the waiver was obtained before the reporting date, the Group has considered that it had no obligation to reclassify the non-current part of the loan as current at the reporting date.

IFRS 18.B106

The USD loan is also subject to a "net financial cost to EBITDA ratio" covenant at the end of each annual and half-year reporting period. This ratio must not exceed 7%. At the end of the 2026 reporting period, the Group was in compliance with this covenant as this ratio was computed to be 6%. The Group expects to comply with this covenant at the June and December 2027 reporting dates.

The other bank borrowing and bond contracts are not subject to covenants.

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 20). Current interest rates are variable and average 4.0 % (2025: 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 25 June 2029 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 2026. 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 the issuer entity.

IAS 24.18
IFRS 13.93(d)
IFRS 13.97

The subordinated shareholder loan was provided by Illustrative Corporation Ltd's main shareholder, SRC Investment Trust, in 2022. It is perpetual and carries a fixed coupon of 4.0%. It is repayable only upon liquidation of Illustrative Corporation Ltd. 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 amount of CU 4,975 (2025: CU 5,050) is estimated by discounting the contractual cash flows at 4.1% (2025: 4.3%). The discount rate has been determined using the interest rate that the entity would pay to an unrelated party, at the reporting date, adjusted to reflect the subordination feature.

The most significant input in both reporting periods is the discount rate of 4.1%.

23.6 Other financial instruments

IFRS 7.29

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

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

24. 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)	Net balance at 1 January 2026	Recognised in other comprehensive income	Recognised in business combination	Recognised in profit or loss	Net balance at 31 December 2026
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)
Non-current liabilities					
Provisions	(707)	–	–	639	(68)
Pension and other employee obligations	(4,451)	1,149	–	(188)	(3,490)
Unused tax losses	(375)	–	–	75	(300)
Net deferred tax (assets) liabilities	**(905)**	**1,064**	**632**	**1,112**	**1,903**
Deferred tax assets	(1,245)				(1,036)
Deferred tax liabilities	340				2,939

IAS 12.81(g)

Deferred tax liabilities (assets)	Net balance at 1 January 2025	Recognised in other comprehensive income	Recognised in disposal group	Recognised in business combination	Recognised in profit or loss	Net balance at 31 December 2025
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)
Non-current liabilities						
Provisions	(1,020)	–	70	–	243	(707)
Pension and other employee obligations	(2,996)	(1,062)	–	–	(393)	(4,451)
Unused tax losses	(600)	–	–	–	225	(375)
Net deferred tax (assets) liabilities	**(852)**	**(1,157)**	**70**	**435**	**599**	**(905)**
Deferred tax assets	(1,312)					(1,245)
Deferred tax liabilities	460					340

The amounts recognised in other comprehensive income relate to revaluation of land, exchange differences on translating foreign operations and the remeasurement of the defined benefit liability. See Note 28.3 for the income tax relating to the revaluation of land and the exchange differences on translating foreign operations; the income tax relating to the remeasurement of the defined benefit liability is analysed above.

IAS 12.81(f) A deferred tax liability of CU 1 (2025: 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 not probable that the temporary difference will not reverse in the foreseeable future. The tax value is equivalent to a temporary difference of CU 3 (2025: CU 7).

IAS 12.82 CU 300 of deferred tax assets arise from the carrying forward of unused tax losses in Euroland. These unused tax losses have no expiry dates.

The Group considers it is highly probable that sufficient future taxable profits will be available on the basis of its well-established earnings history. The Group also considered the level of its sales backlog at the end to 31 December 2026 and the associated margins it expects to generate in supporting the recognition of these deferred tax assets.

IAS 12.81(e) For entities not in the Euroland tax consolidation group, CU 27 (2025: CU nil) of deferred tax assets arising from tax losses have not been recognised in the consolidated statement of financial position since the taxable entity has tax credits expiring soon which shall be deducted first from the taxable benefits.

IFRIC 23.10-11 One of the Group's entities is being subject to a tax audit by tax authorities. Some of the transactions under review are complex and relate to intra-group transactions. Considering all the available information and the legal opinion of its tax advisors, the Group has taken in its income tax filing an income tax position that the management considers as being acceptable, anticipating that it is highly probable that the taxation authority will not challenge the tax treatment applied.

The Group has not undertaken any other income tax positions that are not probable of being accepted by tax authorities.

25. Inventories

Inventories consist of the following:

		31 December 2026	31 December 2025
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 2.38
IAS 2.39

Guidance note: IAS 2.36(d) requires disclosure of the amount of inventories recognised as an expense during the period. Where an entity presents its operating expenses by nature, this is achieved by presenting the costs recognised as an expense for raw materials and consumables, employee benefits and other costs, together with the amount of the net change in inventories for the period (IAS 2.39). In contrast, where cost of sales is presented as a function line item, as it is under the Group's mixed nature and function presentation (see Note 4.9), the entity discloses the amount of inventories recognised as an expense for the year (IAS 2.38). This expense comprises the costs previously included in the measurement of inventory that has now been sold, together with unallocated production overheads and any abnormal amounts of production costs of inventories, as shown below.

IAS 2.36(d) In 2026, a total of CU 50,458 (2025: CU 46,235) of inventories was included in profit or loss as an expense as part of cost of sales.

IAS 2.36(e)
IAS 2.36(f) The Group recorded an amount of CU 361 (2025: CU 389) resulting from write-down of inventories to their net realisable value. The aforementioned 2026 write-down amount is net of a reversal of the write-down that was recognised in 2025 of CU 27 due to an increase in the market value of merchandise during the year ended 31 December 2026 (see Note 8).

26. Trade and other receivables

Trade and other receivables consist of the following:

IFRS 18.42

		31 December 2026	31 December 2025
IFRS 18.B111	Trade receivables, gross	31,165	23,809
	Allowance for credit losses	(667)	(476)
	Trade receivables	**30,498**	**23,333**
	Receivable due from ABC Ltd	112	112
	Allowance for expected credit losses	(4)	(4)
	Financial assets	**30,606**	**23,441**
	Social security and other taxes	740	409
	Contract assets, gross	1,474	1,054
	Allowance for expected credit losses	(100)	(80)
	Contract assets	**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 2023. 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. The receivable was originally due in 2025, but the parties agreed to extend the payment term; the revised terms provide for settlement within the next six months.

Note 38.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

IFRS 15.118 Contract assets have increased as the Group has entered into more bespoke contracts where revenue is recognised in advance of contract billing milestones.

27. Cash and cash equivalents

IAS 32.42
IAS 32.AG38A-B

Guidance note: Presentation of overdrafts in the statement of financial position and statement of cash flows

In most cases, cash and bank overdrafts should not be offset when presenting them in the statement of financial position. This is because the offsetting criteria in IAS 32.42 are only met when the entity both has a legally enforceable right to offset, and also intends to settle on a net basis (or realise the asset and settle the liability at the same time). This means that cash and bank overdrafts should only be offset where:

- the entity has a legal right to offset
  - that is not contingent on future events, and
  - is legally enforceable in the ordinary course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all counterparties, and
- the entity intends to settle on a net basis, ie the net amount will be settled shortly after the period end without further cash or overdraft transactions taking place before settlement.

Where the offsetting criteria are not met, overdrafts will be presented in liabilities.

IAS 7.8

In addition, an entity must assess whether bank overdrafts form part of cash and cash equivalents in the statement of cash flows. Bank overdrafts will form part of cash and cash equivalents under IAS 7 if they are repayable on demand, and form an integral part of an entity's cash management. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn. If overdrafts do not meet the criteria for classification as cash and cash equivalents in the statement of cash flows, they will form part of financing activities.

These Example Financial Statements illustrate the presentation when overdrafts do not meet the IAS 32 'Financial Instruments: Presentation' offsetting criteria – overdrafts are therefore included within liabilities in the statement of financial position. In these Example Financial Statements overdrafts due on demand are integral to the Group's cash management, and therefore meet the criteria to be included as a component of cash and cash equivalents in the statement of cash flows.

IAS 7.45

Cash and cash equivalents consist of the following:

	31 December 2026	31 December 2025
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
Cash and cash equivalents (consolidated statement of financial position)	**34,729**	**11,197**
Short-term bank overdrafts included in creditors (Note 32)	(654)	(78)
Cash and cash equivalents included in disposal group (Note 14)	–	22
Cash and cash equivalents (consolidated statement of cash flows)	**34,075**	**11,141**

IAS 7.48
IAS 10.19

Following the acquisition of Goodtech, some bank deposits of the acquiree are not available for general use by the wider Group because of restrictions, under the terms of Goodtech's borrowing facility, restricting transfer of these funds to other group companies. These funds are available to Goodtech on 48 hours' notice and are used to meet Goodtech's ongoing cash commitments. These short-term deposits are consequently included within cash and cash equivalents in the consolidated cash flow statement. The amount of cash and cash equivalents inaccessible to the wider Group as at 31 December 2026 amounts to CU 3,478 (2025: CU nil).

28. Equity

28.1 Share capital

IFRS 18.130(a)(iii)
IFRS 18.130(a)(v)

The share capital of the parent company, Illustrative Corporation Ltd, 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 Ltd.

		2026	2025
IFRS 18.130(a)(iv)			
IFRS 18.130(a)(ii)	Shares issued and fully paid:		
	– Beginning of the year	12,000,000	12,000,000
	– Issued on exercise of employee share options	270,000	–
	– Share issue, private placement	1,500,000	–
	Shares issued and fully paid	13,770,000	12,000,000
	Shares authorised for share-based payments	600,000	600,000
IFRS 18.130(a)(i)	**Total shares authorised at 31 December**	**14,370,000**	**12,600,000**

Additional shares were issued during 2026 relating to share-based payments (see Note 30.2 for details on the Group's share-based employee remuneration programmes).

The Group issued 1,500,000 shares on 30 October 2026, 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 Ltd.

IFRS 18.130(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 30.2).

28.2 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 (2025: CU nil).

Share premium has also been recorded in respect of the issue of share capital related to employee share-based payment (see Note 30.2).

28.3 Other components of equity

IFRS 18.109

The details of other components of equity are as follows:

		Translation reserve	Revaluation reserve	Cash flow hedges	Total
	Balance at 1 January 2026	(359)	689	140	470
	Cash flow hedges				
IFRS 7.24C(b)(ii)	– current year gains	–	–	890	890
IFRS 7.24C(b)(iv) IFRS 18.90	– reclassification to profit or loss	–	–	(640)	(640)
	Financial assets FVOCI				
IFRS 7.20(a)(viii)	– current year gains	–	–	–	–
IFRS 7.20(a)(viii) IFRS 18.90	– 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
IFRS 18.90	– reclassification to profit or loss	–	–	(3)	(3)
IFRS 18.94(b)	Before tax	(664)	303	252	(109)
IAS 12.81(ab) IFRS 18.93	Tax benefit (expense)	176	(91)	–	85
	Net of tax	(488)	212	252	(24)
	Balance at 31 December 2026	**(847)**	**901**	**392**	**446**

		Translation reserve	Revaluation reserve	Cash flow hedges	Total
	Balance at 1 January 2025	(113)	689	312	888
	Cash flow hedges				
IFRS 7.24C(b)(ii)	– current year gains	–	–	540	540
IFRS 7.24C(b)(iv) IFRS 18.90	– reclassification to profit or loss	–	–	(712)	(712)
IAS 21.52(b)	Exchange differences on translating foreign operations	(341)	–	–	(341)
IFRS 18.94(b)	Before tax	(341)	–	(172)	(513)
IAS 12.81(ab) IFRS 18.93	Tax benefit	95	–	–	95
	Net of tax	(246)	–	(172)	(418)
	Balance at 31 December 2025	**(359)**	**689**	**140**	**470**

29. Dividends

IFRS 18.132(a) During 2026, Illustrative Corporation Ltd paid dividends of CU 3,000 (2025: CU nil) to its equity shareholders. This represents a payment of CU 0.25 per share (2025: CU nil per share).

Also during 2026, 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 Ltd requires approval at the shareholders' meeting, no liability in this respect is recognised in these consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the parent company level.

30. Employee remuneration

30.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

		2026	2025
	Wages, salaries	103,908	97,729
	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
	Less: capitalised as development costs	(1,325)	(150)
		119,909	**115,926**

IFRS 8.23(f) Wages and salaries above include a credit of CU 510 (2025: expense of CU 980) relating to restructuring in the consulting segment (see Note 31).

Of the wages, salaries and social security costs above, CU 6,100 (2025: CU 6,411) relates to discontinued operations (see Note 14).

30.2 Share-based employee remuneration

IFRS 2.44
IFRS 2.45(a)

As at 31 December 2026, 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% to 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 vesting period of the options granted under the Stay Programme ends on 31 January 2027. 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)(i)	Outstanding at 1 January 2025	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 2025**	**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 2026**	**129,175**	**7.45**	**90,749**	**5.81**
IFRS 2.45(b)(vii)	Exercisable at 31 December 2025	–	–	–	–
IFRS 2.45(b)(vii)	Exercisable at 31 December 2026	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 2025).

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 2023**	**1 Feb 2026**	**5 Jan 2022**
	Vesting period ends	31 Dec 2025	31 Jan 2029	31 Jan 2027
	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 2026/ 31 Dec 2027	1 Feb 2029/ 31 Dec 2031	1 Feb 2027/ 4 Jan 2029
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 Illustrative Corporation Ltd'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 (2025: 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.

30.3 Pensions and other employee obligations

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

		31 December 2026	31 December 2025
	Non-current:		
IAS 19.131	– Defined benefit liability (net)	11,632	14,835
	Current:		
	– Other short-term employee obligations	221	303

IAS 19.133
IAS 19.BC200

Guidance note: IAS 19 'Employee Benefits' does not require a distinction to be made between the current and non-current portions of assets and liabilities relating to defined benefit pension schemes. Therefore, in these Example Financial Statements, all of the net defined benefit liability is presented as a non-current liability, on the basis that any disaggregation of the net amount into current and non-current liabilities would be arbitrary. However, if an entity is able to distinguish between the current and non-current portions of a defined benefit liability on a non-arbitrary basis, it would be possible to present these separately.

IFRS 18.101
IAS 19.131

Other short-term employee obligations arise mainly from accrued holiday entitlement at the reporting date. As it is not possible to distinguish between the current and non-current portion of the net defined benefit obligation on a non-arbitrary basis, the entire pension obligation for the defined benefit plan is presented as non-current. 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 2026 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 2027.

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 2026	31 December 2025
	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	11,632	14,835

IAS 19.138(a)

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

31 December 2026	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 2025	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 consolidated statement of financial position for each of the reporting periods is presented below:

Defined benefit obligation

IAS 19.140(a)(ii)		2026	2025
	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

IAS 19.140(a)(i)		2026	2025
	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 2026 (2025: CU 1,938).

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

		31 December 2026	31 December 2025
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 2026	31 December 2025
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 8.31A(a) These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to each period-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 2026 is 23.3 years (2025: 23.2 years).

[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.

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.

Defined benefit plan expenses

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

		2026	2025
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**

IAS 19.134
IFRS 18.B53(d)
IFRS 18.B54(d)

The current service cost and the past service cost are included in employee benefits expense. The net interest expense is presented within interest expenses on pension liability (see Note 10.4).

IAS 19.120(c)

Amounts recognised in other comprehensive income related to the Group's defined benefit plans are as follows:

		2026	2025
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 (2025: expense of CU 3,541) resulting from the remeasurement of the defined benefit liability/asset is included in the consolidated 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:

		2026		2025	
IAS 19.145(a)	**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 consolidated 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 the change in any of the assumptions would occur in isolation of one another as some of the assumptions are correlated.

31. Provisions

IFRS 18.101 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 2026	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 2026**	**724**	**491**	**1,215**

Provisions recognised at acquisition date in a business combination are included in additions (see Note 15.1). Provisions classified as held for sale are included within amount utilised (see Note 14).

IAS 37.85(a)
IAS 8.31A(a)
IAS 37.85(b)
IAS 37.85(c) The provision for restructuring relates to the Phoenix programme, which was initiated in late 2023 and carried out predominantly in 2025 and 2026. The restructuring provision reduced during the year to 31 December 2026, following the outcome of several lawsuits brought against the Group during 2026 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 2027. 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)
IFRS 18.97 Usually, these claims are settled between three 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 how much of the amount provided will eventually be paid in settlement after more than 12 months from the reporting date. Therefore, the amount is classified as current.

IAS 8.31A
IAS 37.92 The majority of the other provisions recognised at 31 December 2025 related to claims initiated in 2025 that were settled during 2026. 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 2026. 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.

IAS 37.85(a)
IFRS 18.19 The Group has no material asset retirement obligations. The Group has considered whether a dilapidation or restoration provision is required in respect of its leased properties and concluded that any such obligation is not material, given the long-term nature of the relevant leases.

The Group considered that the public statement of its commitments to reduce its greenhouse gas emissions to 50% by 2035 and to be carbon neutral in 2050 creates a constructive obligation to discharge the commitment. In reaching this conclusion, the management considered all the facts and circumstances surrounding the commitment, notably the level of detail of its plan and its past realisations achieving determined targets.

However, this constructive obligation does not result in a present obligation requiring the recognition of a provision at the end of the reporting period as the Group has not taken the actions to which the statement applies. This is because the costs that the Group will need to incur (i) to operate with modified manufacturing methods, (ii) to make investments in more energy-efficient technologies and (iii) to offset the greenhouse gases that it will emit in 2035 onwards are costs that it will need to incur to operate in the future. Nevertheless, those actions to take in the future have been considered in the measurement of the entity's other asset and liabilities (see Note 18 – Goodwill, and Note 20 – Property, plant and equipment).

32. Trade and other payables

Trade and other payables consist of the following:

	31 December 2026	31 December 2025
Current:		
– Trade payables	7,843	6,472
– Short-term bank overdrafts	654	78
	8,497	**6,550**

IFRS 7.25
IFRS 7.29(a)

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.

33. Contract and other liabilities

Contract and other liabilities consist of the following:

	31 December 2026	31 December 2025
Advances received for construction contract work	513	427
Deferred service revenue	2,123	2,291
Indirect taxes	22	657
Other liabilities – current	**2,658**	**3,375**
Contingent consideration for the acquisition of Goodtech	620	–
Other liabilities – non-current	**620**	**–**

IFRS 18.101
IFRS 18.97

Advances received for construction contract work and deferred service revenue represent customer payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2027. As described in Note 4.8:

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

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

34. 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 2026	**21,265**	**3,379**	**35,509**	**60,153**
Cash flows:				
– Repayment	(3,478)	(300)	(1,793)	(5,571)
– Proceeds	–	1,449	–	1,449
– Interest paid (financing cash flows)	(848)	(158)	(2,388)	(3,394)
Non-cash:				
– Acquired on business combination	3,478	–	–	3,478
– Foreign exchange movements	70	30	–	100
– Reclassification	(265)	265	–	–
– Classified as held for sale	–	(8)	–	(8)
– Interest expense	788	138	2,388	3,314
– Interest capitalised	60	20	–	80
31 December 2026	**21,070**	**4,815**	**33,716**	**59,601**

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total
1 January 2025	**13,056**	**3,923**	**37,007**	**53,986**
Cash flows:				
– Repayment	–	(649)	(1,498)	(2,147)
– Proceeds	8,300	–	–	8,300
– Interest paid (financing cash flows)	(652)	(191)	(2,575)	(3,418)
Non-cash:				
– Foreign exchange movements	49	21	–	70
– Reclassification	(140)	140	–	–
– Interest expense	594	115	2,575	3,284
– Interest capitalised	58	20	–	78
31 December 2025	**21,265**	**3,379**	**35,509**	**60,153**

35. 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 operating profit to arrive at operating cash flow:

Non-cash adjustments	2026	2025 (restated)
Depreciation, amortisation and impairment of non-financial assets	9,993	8,881
Foreign exchange gains	(937)	(1,164)
Fair value gains on forward exchange contracts classified in the operating category	(130)	(325)
Cash flow hedges reclassified from equity	(640)	(712)
Impairment of financial assets	211	225
Share-based payment expenses	298	466
Current and past service costs	1,308	1,930
Change in fair value of contingent consideration	20	–
Other	17	(386)
Total non-cash adjustments	**10,140**	**8,915**

Net changes in working capital	2026	2025
Change in inventories	7,883	6,814
Change in trade and other receivables	612	545
Change in trade and other payables	(3,953)	(5,637)
Change in other liabilities	(717)	(771)
Change in other employee obligations	(3,780)	5,527
Change in provisions	(2,077)	(2,289)
Total changes in working capital	**(2,032)**	**4,189**

IAS 7.43

In 2026, the consideration transferred for the Group's acquisition of Goodtech (see Note 15.1) 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 (2025: nil) are non-cash transactions excluded from the consolidated statement of cash flows.

36. 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 SRC Investment Trust (see Note 23.5 for information on terms and conditions), on which interest of CU 200 (2025: 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.

36.1 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 2026, Equipe provided services valued at CU 568 (2025: CU 590). The outstanding balance of CU 20 (2025: CU 22) due to Equipe is included in trade payables.

36.2 Transactions with joint ventures

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

During 2026, Halftime provided services valued at CU 10 (2025: CU 3). There is no outstanding balance as at 31 December 2026 (2025: nil).

36.3 Transactions with key management personnel

IAS 24.19(f) Key management of the Group are the executive members of Illustrative Corporation Ltd's board of directors, members of the executive council and non-executive directors. Key management personnel remuneration includes the following expenses:

		2026	2025
IAS 24.17(a)	**Short-term employee benefits:**		
	– Salaries including bonuses	2,420	2,210
	– Social security costs	70	34
	– 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 2026, certain key management personnel exercised share options with total exercise price of CU 1,685 (2025: 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 2026, the Group's key management received short-term loans totalling CU 40 (2025: CU 38). The outstanding balance of CU 1 (2025: CU 1) has been included in trade and other receivables.

During 2026, 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 (2025: nil), based on normal market rates and was fully repaid at the reporting date.

36.4 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 Ltd. The Group's only transaction with the defined benefit plan relate to contributions paid to the plan (see Note 30.3).

37. Contingent liabilities

IAS 37.86 Various warranty and legal claims were brought against the Group during both reporting periods. Unless recognised as a provision (see Note 31), management considers these claims to be unjustified and the probability they will require settlement at the Group's expense to be remote. This evaluation is consistent with external independent legal advice.

Consistent with the prior year, the Group during 2026 was not subject to any claim related to environmental considerations and it has not identified any onerous contracts due to climate-related matters.

38. 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 23.1. 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 23.4.

IFRS 7.B6

Guidance note: IFRS 7 allows 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, provided they are incorporated into the financial statements by cross reference. Although paragraph IFRS 7.21B requires an entity to present the required disclosures in a single note or separate section in its financial statements, an entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to the statement containing the required disclosures. For example, reference could be made to a management commentary or risk report, so long as those reports are made available to users of the financial statements on the same terms and at the same time as the financial statements. Without the information incorporated by cross-reference, the financial statements would be incomplete.

38.1 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, cash flows that are not in the functional currency of the group company carrying out the transaction 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 longer-term foreign currency exposures that are not expected to be offset by other same-currency transactions. Hedge accounting disclosures are included in Note 23.4.

Foreign currency denominated financial assets and liabilities (denominated in a currency other than the functional currency of the relevant Group company) 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 2026				
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 2025				
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 relating 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 31 December 2026 (2025: 10%). A +/- 5% change is considered for the CU/GBP exchange rate (2025: 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 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% (2025: 10%) and GBP by 5% (2025: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	GBP	Total	USD	GBP	Total
31 December 2026	(97)	(99)	(196)	(47)	(99)	(146)
31 December 2025	(53)	(24)	(77)	(3)	(24)	(27)

If the CU had weakened against the USD by 10% (2025: 10%) and GBP by 5% (2025: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	GBP	Total	USD	GBP	Total
31 December 2026	97	97	194	37	97	134
31 December 2025	53	20	73	13	20	33

The higher foreign currency exchange rate sensitivity in profit in 2026 compared with 2025 is attributable to an increase in foreign currency denominated trade payables and receivables, due to an increase in foreign currency denominated purchases and increased activity on foreign currency denominated consulting contracts in Q4 2026 compared to the same period in 2025. Equity is more sensitive in 2026 than in 2025 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 2026, 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 Group's exposure to market risk, including interest rate risk, in respect of its bank deposit 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% (2025: +/- 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 2026	36	(36)	26	(16)
31 December 2025	32	(32)	23	(14)

Other price sensitivity

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

The Group is exposed to other price risk in respect of its listed equity securities and the investment in XY Ltd (see Note 23.3).

IFRS 7.40(a)
IFRS 7.40(b)

For the listed equity securities, an average volatility of 20% has been observed during 2026 (2025: 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 (2025: 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.

38.2 Credit risk analysis

IFRS 7.33(a)
IFRS 7.33(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.

The Group has determined that climate-related risks have no significant impact on credit risk exposure and credit risk management practices because (a) of the short-term nature of credit exposure and (b) given the absence of recent major climate-related events in the main areas where debtors operate.

Security

The Group does not hold any security on any trade receivables balance at each annual reporting date.

In addition, the Group does not hold any collateral relating to other financial assets (eg derivative assets, bank deposits, cash and cash equivalents held with banks) at each annual reporting date.

Trade receivables and contract assets

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 2026 and 31 December 2025 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward 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 accordingly 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 each annual 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 among 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 2026 and 31 December 2025 was determined as follows:

Guidance note: The credit risk disclosure as illustrated in these Example 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 may be challenging to determine how much detail to provide to satisfy the requirements of IFRS 7, 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 disclosures on the following items have 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, and
- 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 groups will not have these, there will be a number of exceptions to this.

For instance, for this note in particular, in different circumstances an entity 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, and
- 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	**31 December 2026**	**Contract assets days past due**		**Trade receivables days past due**				
IFRS 7.IG20D		**Current**	**Total**	**Current**	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
IFRS 7.35G(a)	Expected credit loss rate	6.8%		1.37%	6.5%	18%	60%	
IFRS 7.35G(a)	Gross carrying amount	1,474	1,474	29,520	827	671	147	31,165
	Lifetime expected credit loss	100	100	404	54	121	88	667

IFRS 7.35N	**31 December 2025**	**Contract assets days past due**		**Trade receivables days past due**				
IFRS 7.IG20D		**Current**	**Total**	**Current**	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
IFRS 7.35G(a)	Expected credit loss rate	7.6%		1.1%	6%	14%	55%	
IFRS 7.35G(a)	Gross carrying amount	1,054	1,054	21,952	925	828	104	23,809
	Lifetime expected credit loss	80	80	251	56	112	57	476

IFRS 7.35H(b)(iii) The closing balance of the trade receivables and contract assets loss allowance as at 31 December 2026 reconciles with the trade receivables and contract assets loss allowance opening balance as follows:

	Contract assets	Trade receivables
Opening loss allowance as at 1 January 2025	80	251
Loss allowance recognised during the year	-	225
Loss allowance as at 31 December 2025	**80**	**476**
IFRS 7.35I(c) Loss allowance recognised during the year	20	201
Loss allowance unused and reversed during the year	-	(10)
Loss allowance as at 31 December 2026	**100**	**667**

Guidance note: In these Example Financial Statements, the trade receivables and contract assets 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 an entity must disclose information about how it has grouped financial instruments if they are assessed or measured on a collective basis.

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 other receivables and debt investments at amortised costs loss allowance as at 31 December 2026 reconciles with the other receivables and debt investments at amortised cost loss allowance opening balance as follows:

	Other receivables	Debt investments
IFRS 7.42P Opening loss allowance as at 1 January 2025	3	30
Loss allowance recognised during the year	1	2
Loss allowance as at 31 December 2025	**4**	**32**
Loss allowance recognised during the year	-	1
Loss allowance as at 31 December 2026	**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 2026 is the carrying amount of these instruments CU 212 (2025: CU 490).

38.3 Liquidity risk analysis

IFRS 7.33(a)
IFRS 7.33(b)
IFRS 7.39(c)
IFRS 7.18

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 both the lookout periods.

The US borrowing loan is subject to a group debt to revenue ratio. Since the Group anticipated it would not meet the agreed-upon ratio at the end of the 2026 financial year it obtained before the reporting date the right to temporarily modify the ratio the Group needed to comply with at the end of the year (see Note 23).

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 23) 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 2026, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 December 2026	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years
USD loans	280	280	1,761	8,215
Other bank borrowings	4,565	–	–	–
Non-convertible bond	208	208	8,888	–
Trade and other payables	8,497	–	–	–
Lease liabilities	1,489	1,490	11,797	21,702
Contingent consideration	–	–	620	–
Total	**15,039**	**1,978**	**23,066**	**29,917**

IFRS 7.39(a)
IFRS 7.B11

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

31 December 2025	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years
USD loans	289	289	1,781	8,508
Other bank borrowings	3,124	–	–	–
Non-convertible bond	208	208	9,303	–
Trade and other payables	6,550	–	–	–
Lease liabilities	1,483	1,483	11,794	23,858
Total	**11,654**	**1,980**	**22,878**	**32,366**

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 Ltd. 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. The contractual cash flows of the Group's derivative financial assets and liabilities are as follows:

	31 December 2026		31 December 2025	
	within 6 months	6 to 12 months	within 6 months	6 to 12 months
Gross-settled forward contracts:				
– Cash outflow	(212)	(6,978)	(190)	(7,100)
– Cash inflow	300	7,509	203	7,050
Total	**88**	**531**	**13**	**(50)**

Derivative financial instruments reflect forward exchange contracts (see Note 23.4) that will be settled on a gross basis.

39. Contracts referencing nature-dependent electricity

IFRS 7.30A

The Group has entered into a power purchase agreement (PPA) whereby it purchases electricity generated by a wind farm operated by an independent energy producer. Electricity purchased through the PPA is consumed in the Group's manufacturing operations. The PPA qualifies for the own-use exemption in accordance with the amendments to IFRS 9 entitled Contracts Referencing Nature-dependent Electricity amendments to IFRS 9 and is not accounted for as a derivative financial instrument (see Note 4.19).

Contractual terms and exposure to variability

IFRS 7.30A(a)

Through the PPA, the Group is entitled to receive electricity generated by the wind farm at a fixed price of CU 70 per megawatt-hour (MWh), for a term of 10 years from 1 January 2026 subject to the wind farm's actual generation output. The maximum contracted volume is 8,000 MWh per annum (8 GWh). The wind farm has an installed generating capacity of 30 MW. On this basis, the maximum contracted volume of 8,000 MWh per annum represents approximately 3% of the wind farm's theoretical maximum annual output (30 MW x 8,760 hours), and accordingly the PPA does not entitle the Group to substantially all of the wind farm's generating capacity. The quantity of electricity delivered in any period depends on prevailing wind conditions and may be less than the contracted maximum volume. The Group does not have the ability to direct the quantity nor the timing of electricity generated.

The Group is exposed to volume risk in two respects. First, if actual wind generation exceeds the Group's electricity needs at the time of delivery, for example over weekends or other periods of lower operational demand the Group is required to take delivery of, and pay for, electricity it cannot use at that time; the Group manages this by selling the surplus electricity into the spot market. Second, if the Group's electricity consumption in a given period exceeds the electricity available from the PPA after accounting for any surplus sold, the Group purchases additional electricity from the grid at prevailing market prices. The Group manages both risks by monitoring its electricity consumption requirements and maintaining access to alternative electricity supply under standard commercial arrangements. The PPA relates to the Group's Euroland operations. Based on the Group's forecast usage, the maximum contracted volume of 8,000 MWh is expected to represent the majority of Euroland's forecast annual electricity requirements.

The Group is not exposed to price risk on electricity purchased under the PPA, as the purchase price is fixed at CU 70 per MWh for the contract term. However, proceeds from sales of surplus electricity and the cost of any purchases from the grid are subject to prevailing spot market prices, and the Group is therefore exposed to spot price movements in respect of those transactions. The Group is not exposed to net settlement risk as the contract requires physical delivery.

Effect on financial performance

IFRS 9.B2.8
IFRS 7.30A(c)(i)–(iii)

The following table sets out the effect of the PPA on the Group's financial performance for the year ended 31 December 2026:

	MWh	CU
(i) Total cost of electricity purchased under the PPA		
Total electricity purchased	8,000	560
Of which: unused at time of delivery	800	56
(ii) Proceeds from sales of unused electricity	(800)	(68)
(iii) Cost of purchases to offset sales	1,800	162

IFRS 7.44OO

There is no 2025 comparative as the PPA was entered into on 1 January 2026. The Group remained a net purchaser of electricity throughout 2026: total electricity purchased in Euroland was 9,800 MWh (8,000 MWh under the PPA and 1,800 MWh from the grid), of which 800 MWh was sold into the spot market, resulting in net purchases of 9,000 MWh. Total electricity consumed was 9,000 MWh. All electricity usage in other countries is purchased directly from the grid.

The costs of CU 560 and CU 162 referred to in (i) and (iii) above were capitalised into inventories in the year.

Onerous contract assessment

IFRS 7.30A(b)(ii)
IAS 37

The Group assesses at each reporting date whether the PPA has become, or is expected to become, onerous. The contract would become onerous if the unavoidable costs of fulfilling the Group's purchase commitment were to exceed the economic benefits expected to be received, taking into account the expected value of any surplus electricity that can be sold. Given the fixed price structure, the Group's continuing manufacturing operations and current electricity market conditions, the Group does not consider the PPA to be onerous at 31 December 2026.

Unrecognised contractual commitments

IFRS 7.30A(b)(i)

The estimated future cash outflows from unrecognised commitments under the PPA, based on the maximum contracted volume of 8,000 MWh per annum at CU 70 per MWh, are as follows:

	Within 1 year	1-2 years	2-5 years	After 5 years	Total
Future cash outflows from PPA contracts	560	560	1,680	2,240	5,040

The above amounts represent the maximum contracted volume at the fixed price and do not reflect any reduction for wind generation variability or the value of surplus electricity that may be sold. Actual net cash outflows may be lower.

40. Fair value measurement

40.1 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 consolidated 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 2026	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Listed securities	421	–	–	421
Investment in XY Ltd	–	–	752	752
USD 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	**421**	**716**	**752**	**1,889**
FINANCIAL LIABILITIES				
Contingent consideration (Note 15.1, 33)	–	–	(620)	(620)
Net fair value	**421**	**716**	**132**	**1,269**

31 December 2025	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Listed securities	343	–	–	343
Investment in XY Ltd	–	–	720	720
GBP forward contracts – cash flow hedge	–	230	–	230
Other forward exchange contracts – held-for-trading	–	212	–	212
Total assets	**343**	**442**	**720**	**1,505**
FINANCIAL LIABILITIES				
USD forward contracts – cash flow hedge	–	(160)	–	(160)
Net fair value	**343**	**282**	**720**	**1,345**

IFRS 13.93(c) There were no transfers between Level 1 and Level 2 during the year ended 31 December 2026 or 2025.

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 annual 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 15.1) 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 7.4%. 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 7.4%, 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 Ltd (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)

Description	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 Ltd	Earnings growth factor	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. Lowering the growth factor by 100 basis points and increasing the discount factor by 100 basis point would decrease fair value by CU 85.
Investment in XY Ltd	Risk adjusted discount rate	15%	

There are no major interrelationships between the significant input (management's estimate of the probability that the contract's target level will be achieved) and the other 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 Ltd
	Balance at 1 January 2025	**–**	**780**
	Amount recognised in profit or loss	–	(60)
IFRS 13.93(e)	**Balance at 31 December 2025**	**–**	**720**
IFRS 13.93(e)(iii)	Acquired through business combination	(600)	–
IFRS 13.93(e)(i)	Amount recognised in profit or loss	(20)	32
	Balance at 31 December 2026	**(620)**	**752**

IFRS 13.93(f)
IFRS 18.53(c)
IFRS 18.B49(f)
IFRS 18.B55(c

Total amount included in profit or loss for unrealised losses on Level 3 instruments:		
2025		
Fair value movements and income on financial investments	–	(60)
2026		
Other operating expenses	(20)	–
Fair value movements and income on financial investments	–	32

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

See Note 23.2.

40.2 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 2026	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 2025	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
– land owned in Euroland	–	–	7,697	7,697
– 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 2026, a negative adjustment of 7.5% was incorporated for these factors. The land was revalued on 23 November 2026. The land was previously revalued in November 2023.

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 2026 (see Note 15.1), 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 2026 were:

	Euroland	US
Rental value	CU 108/sqm	USD 65/sqm
Vacancy levels	9%	11%
Discount rate (market yield)	7.4%	3.7%

IFRS 13.93(d)

An investment property with a fair value of CU 75, recognised upon the acquisition of Goodtech (see Note 15.1) in March 2026, was not revalued at the reporting date. Management has determined 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 2026	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 2026	**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 held	Euroland	US
IFRS 13.93(e)	Balance at 1 January 2025	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 2025	**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

41. Capital management policies and procedures

IFRS 18.126 The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- 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.

IFRS 18.127(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 consolidated statement of financial position and the carrying amount of the hedging instruments designated in cash flow hedges.

IFRS 18.127(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 2022 (see Note 23.5).

IFRS 18.127(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:

IFRS 18.127(b)

	2026	2025
Total equity	85,469	52,291
Subordinated loan	5,000	5,000
Cash flow hedging instruments	(601)	(70)
Cash and cash equivalents	(34,729)	(11,197)
Capital	**55,139**	**46,024**
Total equity	85,469	52,291
Borrowings	25,885	24,644
Lease liabilities	33,716	35,509
Overall financing	**145,070**	**112,444**
Capital-to-overall financing ratio	**0.38**	**0.41**

IFRS 18.127(d) The Group has honoured its covenant obligations, including maintaining capital ratios, since the subordinated loan was taken out in 2022. The ratio-reduction during 2026 is primarily a result of an increase in cash and cash equivalents, mainly arising as a result of profitable (cash-generative) trading in the period.

42. Events after the reporting date

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.

43. Authorisation of financial statements

IAS 10.17

The consolidated financial statements for the year ended 31 December 2026 (including comparatives) were approved by the board of directors on 1 March 2027.

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 2026

Appendix A

Organising the statement of profit or loss by function of expenses and by nature of expenses

IFRS 18.78

IFRS 18.78 requires expenses to be classified using the nature of expenses (NOE), the function of expenses (FOE), or a combination of both, whichever provides the most useful structured summary; see the guidance note to the consolidated statement of profit or loss for further explanation of this requirement.

Both the FOE and NOE formats are illustrated in this appendix, presented as a separate statement of profit or loss (ie other comprehensive income is presented in a separate statement of comprehensive income, see the main body). The main body of the Example Financial Statements illustrates a mixed presentation of operating expenses in the statement of profit or loss. Either format may equally be combined with the single statement structure illustrated in Appendix B.

The choice of expense classification only affects the statement of profit or loss and does not affect the presentation requirements for other comprehensive income.

IFRS 18.83

Presenting one or more line items in the operating category on a function basis, whether in a pure FOE format or in a mixed presentation, requires additional considerations:

- IFRS 18.83 requires disclosure, in a single note, of the totals for key nature categories (depreciation, amortisation, employee benefits, IAS 36 impairment losses and inventory write-downs) allocated to each function line item; this is illustrated in Note 8.
- the disclosures of the specific line items in the statement of profit or loss where certain transactions or amounts are recognised (eg see Note 18, Note 22 and Note 31 of the Example Financial Statements) should reflect the actual line items presented in the FOE or NOE statement of profit or loss, as applicable.

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 14), such information should be presented in the same format as the main consolidated statement of profit or loss. This will facilitate a better understanding of the financial effects of the discontinued operations.

IFRS 18.75(b)(ii)
IFRS 18.23

IFRS Accounting Standards may require the separate presentation of an item classified by nature even where an entity otherwise adopts a function-based presentation. For example, IFRS 18.75(b)(ii) requires separate presentation of impairment losses (including reversals) determined in accordance with Section 5.5 of IFRS 9. As with any other required line item (see IFRS 18.23), separate presentation of such amounts is only necessary where it is required for the statement to provide a useful structured summary, and judgement is therefore required in each case.

A pure NOE presentation does not require function-based line items in the operating category, so the note disclosure required by IFRS 18.83 does not arise. By nature items that IFRS Accounting Standards require to be presented separately, such as the IFRS 9 impairment losses referred to above, continue to apply regardless of the classification approach used, subject to the same judgement over whether separate presentation is necessary for a useful structured summary.

Function of expenses (FOE) format

		Notes	2026	2025
IFRS 18.75(a)(i)	**Revenue**	5, 6	**204,087**	189,488
IFRS 18.B70	Hedging gains and losses	23.4	**640**	712
IFRS 18.82(a)	Costs of sales		**(110,526)**	(103,918)
IFRS 18.24 IFRS 18.118(a)	**Gross profit**		**94,201**	**86,282**
IFRS 18.78(b)	Distribution costs		**(12,014)**	(11,537)
IFRS 18.78(b)	Administrative expenses		**(57,941)**	(56,659)
IFRS 18.78(b)	Research and development costs		**(1,690)**	(1,015)
IFRS 18.78(b)	Other operating income and gains	9	**429**	1,033
IFRS 18.78(b)	Foreign exchange on trading transactions		**937**	1,164
IFRS 18.78(b)	Other operating expenses	9	**(948)**	(670)
IFRS 18.69(a)	**Operating profit**		**22,974**	**18,598**
IFRS 18.75(a)(iii)	Share of profit from equity accounted investments	17	**391**	141
	Income from investment property	22	**1,376**	1,203
	Fair value movements and income on financial investments	11	**839**	485
IFRS 18.69(b)	**Profit before financing and income taxes**		**25,580**	20,427
	Interest expenses on pension liability	10	**(505)**	(549)
	Interest expenses on borrowings and lease liabilities	10	**(3,314)**	(3,284)
	Foreign exchange on borrowings	10	**(100)**	(70)
IFRS 18.24 IFRS 18.118(e)	**Profit before tax**		**21,661**	**16,524**
IFRS 18.75(a)(iv)	Tax expense	12	**(6,794)**	(4,888)
IFRS 18.24 IFRS 18.118(f)	**Profit for the year from continuing operations**		**14,867**	11,636
IFRS 18.75(a)(v)	Loss for the year from discontinued operations	14	**(9)**	(325)
IFRS 18.69(c)	**Profit for the year**		**14,858**	**11,311**
	Profit for the year attributable to:			
IFRS 18.76(a)	– Non-controlling interest		**121**	116
IFRS 18.76(b)	– Owners of the parent		**14,737**	11,195
			14,858	**11,311**

	Earnings per share	Notes	2026	2025
IAS 33.67A	**Basic earnings (loss) per share:**			
IAS 33.66	– Earnings from continuing operations	13	**1.18**	0.96
IAS 33.68A	– Loss from discontinued operations		**(0.00)**	(0.03)
IAS 33.66	**Total**		**1.18**	**0.93**
IAS 33.67A	**Diluted earnings (loss) per share:**			
IAS 33.66	– Earnings from continuing operations		**1.18**	0.96
IAS 33.68A	– Loss from discontinued operations		**(0.00)**	(0.03)
IAS 33.66	**Total**		**1.18**	**0.93**

Nature of expenses (NOE) format

		Notes	2026	2025
IFRS 18.75(a)(i)	**Revenue**	5, 6	**204,087**	189,488
IFRS 18.B70	Hedging gains and losses	23.4	**640**	712
IFRS 18.78(a)	Changes in inventories		**(7,923)**	(6,815)
IFRS 18.78(a)	Costs of material		**(42,535)**	(39,420)
IFRS 18.78(a)	Employee benefits expense		**(113,809)**	(109,515)
IFRS 18.78(a)	Depreciation, amortisation and impairment of non-financial assets		**(9,993)**	(8,881)
IFRS 18.75(b)(ii)	Impairment losses on trade receivables and contract assets		**(211)**	(225)
IFRS 18.78(a)	Other operating income and gains		**429**	1,033
IFRS 18.78(a)	Foreign exchange on trading transactions	9	**937**	1,164
IFRS 18.78(a)	Rent and property expenses		**(2,172)**	(2,495)
IFRS 18.78(a)	Other operating expenses	9	**(6,476)**	(6,448)
IFRS 18.69(a)	**Operating profit**		**22,974**	**18,598**
IFRS 18.75(a)(iii)	Share of profit from equity accounted investments	17	**391**	141
	Income from investment property	22	**1,376**	1,203
	Fair value movements and income on financial investments	11	**839**	485
IFRS 18.69(b)	**Profit before financing and income taxes**		**25,580**	20,427
	Interest expenses on pension liability	10	**(505)**	(549)
	Interest expenses on borrowings and lease liabilities	10	**(3,314)**	(3,284)
	Foreign exchange on borrowings	10	**(100)**	(70)
IFRS 18.24 IFRS 18.118(e)	**Profit before tax**		**21,661**	**16,524**
IFRS 18.75(a)(iv)	Tax expense	12	**(6,794)**	(4,888)
IFRS 18.24 IFRS 18.118(f)	**Profit for the year from continuing operations**		**14,867**	11,636
IFRS 18.75(a)(v)	Loss for the year from discontinued operations	14	**(9)**	(325)
IFRS 18.69(c)	**Profit for the year**		**14,858**	**11,311**
	Profit for the year attributable to:			
IFRS 18.76(a)	– Non-controlling interest		**121**	116
IFRS 18.76(b)	– Owners of the parent		**14,737**	11,195
			14,858	**11,311**

	Earnings per share	Notes	2026	2025
IAS 33.67A	**Basic earnings (loss) per share:**			
IAS 33.66	– Earnings from continuing operations	13	**1.18**	0.96
IAS 33.68A	– Loss from discontinued operations		**(0.00)**	(0.03)
IAS 33.66	**Total**		**1.18**	**0.93**
IAS 33.67A	**Diluted earnings (loss) per share:**			
IAS 33.66	– Earnings from continuing operations		**1.18**	0.96
IAS 33.68A	– Loss from discontinued operations		**(0.00)**	(0.03)
IAS 33.66	**Total**		**1.18**	**0.93**

Appendix B

Statement of comprehensive income presented in a single statement

The main body of 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 same mixed presentation as illustrated in the main body.

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 14). However, it should be noted the term profit or loss continues to apply.

Consolidated statement of comprehensive income

		Notes	2026	2025
IFRS 18.75(a)(i)	**Revenue**	5, 6	**204,087**	189,488
IFRS 18.B70	Hedging gains and losses	23.4	**640**	712
IFRS 18.82(a)	Costs of sales		**(110,526)**	(103,918)
IFRS 18.24 IFRS 18.118(a)	**Gross profit**		**94,201**	**86,282**
IFRS 18.78	Distribution costs		**(12,014)**	(11,537)
IFRS 18.78	Administrative expenses		**(57,652)**	(55,489)
IFRS 18.78	Reversal of restructuring provision/(restructuring expenses)	31	**510**	(980)
IFRS 18.78	Research and development costs		**(1,690)**	(1,015)
IFRS 18.78	Goodwill impairment loss	18	**(799)**	(190)
IFRS 18.78	Other operating income and gains	9	**429**	1,033
IFRS 18.78	Foreign exchange on trading transactions		**937**	1,164
IFRS 18.78	Other operating expenses	9	**(948)**	(670)
IFRS 18.69(a)	**Operating profit**		**22,974**	**18,598**
IFRS 18.75(a)(iii)	Share of profit from equity accounted investments	17	**391**	141
	Income from investment property	22	**1,376**	1,203
	Fair value movements and income on financial investments	11	**839**	485
IFRS 18.69(b)	**Profit before financing and income taxes**		**25,580**	20,427
	Interest expenses on pension liability	10	**(505)**	(549)
	Interest expenses on borrowings and lease liabilities	10	**(3,314)**	(3,284)
	Foreign exchange on borrowings	10	**(100)**	(70)
IFRS 18.24 IFRS 18.118(e)	**Profit before tax**		**21,661**	**16,524**
IFRS 18.75(a)(iv)	Tax expense	12	**(6,794)**	(4,888)
IFRS 18.24 IFRS 18.118(f)	**Profit for the year from continuing operations**		**14,867**	11,636
IFRS 18.75(a)(v)	Loss for the year from discontinued operations	14	**(9)**	(325)
IFRS 18.69(c)	**Profit for the year**		**14,858**	**11,311**

Consolidated statement of comprehensive income

		Notes	2026	2025
	Other comprehensive income:			
IFRS 18.88(b)	**Items that will not be reclassified subsequently to profit or loss**			
IAS 16.77(f)	Revaluation of land	20	**303**	–
IAS 19.120(c)	Remeasurement of net defined benefit liability	30	**3,830**	(3,541)
IFRS 18.93 IFRS 18.94(b)	Income tax relating to items not reclassified	24	**(1,240)**	1,062
IFRS 18.88(a)	**Items that will be reclassified subsequently to profit or loss**			
	Cash flow hedging:			
IFRS 7.24C(b)(i)	– current year gains	28.3	**890**	540
IFRS 7.24C(b)(iv) IFRS 18.90	– reclassification to profit or loss	28.3	**(640)**	(712)
IAS 21.52(b)	Exchange differences on translating foreign operations	28.3	**(664)**	(341)
IFRS 18.89(a)	**Share of other comprehensive income of equity accounted investments:**	17	**5**	
IFRS 18.90	– reclassification to profit or loss	28.3	**(3)**	–
IFRS 18.93 IFRS 18.94(b)	Income tax relating to items that will be reclassified	28.3	**176**	95
IFRS 18.86(b)	**Other comprehensive income for the year, net of tax**		**2,657**	**(2,897)**
IFRS 18.86(c)	**Total comprehensive income for the year**		**17,515**	**8,414**
	Profit for the year attributable to:			
IFRS 18.76(a)	Non-controlling interest		**121**	116
IFRS 18.76(b)	Owners of the parent		**14,737**	11,195
			14,858	**11,311**
	Total comprehensive income attributable to:			
IFRS 18.87(a)	Non-controlling interest		**121**	116
IFRS 18.87(b)	Owners of the parent		**17,394**	8,298
			17,515	**8,414**

	Earnings per share	Notes	2026	2025
IAS 33.67A	**Basic earnings (loss) per share:**	13		
IAS 33.66	– Earnings from continuing operations		1.18	0.96
IAS 33.68A	– Loss from discontinued operations		(0.00)	(0.03)
IAS 33.66	**Total**		**1.18**	**0.93**
IAS 33.67A	**Diluted earnings (loss) per share:**			
IAS 33.66	– Earnings from continuing operations		1.18	0.96
IAS 33.68A	– Loss from discontinued operations		(0.00)	(0.03)
IAS 33.66	**Total**		**1.18**	**0.93**

Appendix C

IFRS 17 'Insurance Contracts' for non-insurers

This appendix provides illustrative guidance relating to warranties and other arrangements entered into by non-insurance entities that may fall within the scope of IFRS 17. The material focuses on scoping assessments, significant judgements and accounting policy considerations applied in determining whether such arrangements are accounted for as insurance contracts under IFRS 17, as service warranties under IFRS 15, or as provisions under IAS 37. This appendix does not illustrate the presentation, measurement or disclosure requirements that would apply to an entity whose primary activity is issuing insurance contracts, nor does it include information that would be required for insurance contracts accounted for under IFRS 17.

IFRS 17 at a glance

IFRS 17 came into effect for periods beginning on or after 1 January 2023. The scope of IFRS 17 is not limited to insurance entities. Instead, it provides a definition of an insurance contract that can apply to any entity, including entities that are not considered to be insurers.

IFRS 17 sets out a general measurement model for insurance contracts which takes into account discounted probability-weighted cash flows and explicit risk adjustments, and requires the calculation of a contractual service margin that represents the unearned profits of the contract which is recognised as revenue over the insurance contract over the coverage period. This general measurement model is supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach), and
- an optional simplified approach (the premium allocation approach) mainly for short-duration contracts.

Some notable scope exclusions exist in IFRS 17 and they include manufacturer's warranties provided in connection with a sale (see below), residual value guarantees, contingent consideration resulting from a business combination and insurance contracts where the entity is a policyholder, unless the contract is a reinsurance contract.

IFRS 17 considerations in the Example Financial Statements

The Example Financial Statements do not include the impact of applying IFRS 17 to the Group's insurance contracts, on the basis these contracts are not material to the consolidated financial statements or are subject to scope exclusions. Activities of the Group that could be in scope of IFRS 17 may include:

Activities	Financial statements potentially impacted
Some financial guarantees that were issued by the parent entity to its subsidiaries where the parent entity previously made an explicit assertion that these contracts were insurance (IFRS 17.7(e) provides a choice to apply IFRS 17 or IFRS 9).	Parent's individual financial statements
Providing certain extended warranties beyond that set out in consumer legislation where these are not provided in connection with a sale (see below for further discussion of IFRS 17 scope exclusions in relation to warranties)	Group financial statements and individual financial statements of entity providing warranty
Providing certain warranties to customers of fellow group entities, where the entity issuing the warranty is not the manufacturer, retailer or dealer (see below for further discussion of IFRS 17 scope exclusions in relation to warranties)	Individual financial statements of entity issuing warranty
Loan contracts with death waivers, such as store card arrangements where debt is forgiven in the event of the retail customer's death (IFRS 17.8A allows a policy choice to apply IFRS 17 or IFRS 9)	Group financial statements and individual financial statements of entity providing warranty
Some IT maintenance arrangements where these are priced based on the risk associated with the contract	Group financial statements and individual financial statements of entity selling maintenance service
Performance guarantees issued by the parent entity in association with various construction activities its subsidiaries undertake	Parent's individual financial statements

For further assistance in assessing whether IFRS 17 will have an impact on an entity's financial statements, please refer to our publication '**Insights into IFRS 17 – Impact on Non-Insurance Entities**'

Warranties

As explained in Note 4.8 'Revenue' in the Example Financial Statements, the Group provides both standard-type warranties and extended-type warranties.

Determining the appropriate accounting treatment for warranties first requires an entity to assess whether warranties should be accounted for as insurance contracts under IFRS 17.

IFRS 17 scope assessment:

There are two potential scope exemptions from IFRS 17 that may apply to warranties.

IFRS 17.7(a) The first exemption, which is mandatory if it applies, scopes warranties out of IFRS 17 if they are provided by a manufacturer, dealer or retailer in connection with the sale of its goods or services to a customer.

IFRS 17.8 The second exemption, which is optional if it applies, allows contracts which meet the definition of an insurance contract, where the primary purpose is to provide services for a fixed fee, to be accounted for under IFRS 15 instead of IFRS 17, provided specific conditions are met.

Applicability to the Example Financial Statements:

The Group has determined that standard-type warranties and extended warranties that are provided at the time of the sale of the hardware, or offered for future purchase at a fixed price under the original terms of the hardware sale, meet the first scope exception, as outlined in IFRS 17.7(a), as the Group is the manufacturer of the hardware.

IAS 37 or IFRS 15 assessment:

If warranties are not in scope of IFRS 17 or if they qualify for an optional exemption from applying IFRS 17 (which the entity decides to take), warranties are assessed to determine if they are assurance type warranties accounted for under IAS 37 or whether they provide an additional service and should be treated as separate performance obligations under IFRS 15.

When determining the nature of warranty-related promises, an entity considers:

IFRS 15.B29
- whether the customer has the option to separately purchase the warranty, and

IFRS 15.B30
- 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.

Applicability to the Example Financial Statements:

IFRS 15.B28 The Group has concluded that, as standard-type warranties are not sold separately and do not provide an additional service, these are accounted for under IAS 37. The Group has concluded that, as extended type warranties can be purchased separately and provide an additional service beyond basic assurance, they are separate performance obligations under IFRS 15.

Appendix D

2026 update for entities not early adopting IFRS 18

Guidance note: This appendix is relevant only to entities that have not yet adopted IFRS 18 and continue to prepare their financial statements applying IAS 1.

The Group whose financial statements are illustrated in the main body of these Example Financial Statements has early adopted IFRS 18, and the primary illustrative material reflects that. Entities continuing to apply IAS 1 should instead refer to the '**IFRS Example Consolidated Financial Statements 2025**' as their primary point of reference, since they were prepared on an IAS 1 basis.

This appendix sets out what changes to other IFRS Accounting Standards entities still applying IAS 1 need to consider in their 2026 financial statements that were not relevant to the 2025 Example Financial Statements. None of these changes depend on which presentation standard has been applied.

This appendix also provides an example of how to update an entity's note on 'Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group'. The equivalent of Note 3.2 in this publication.

Standards effective from 1 January 2026

Topic	Summary	Reference point in these Example Financial Statements
Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	The 2025 Example Financial Statements list this amendment as forthcoming. These Example Financial Statement show the accounting policy applied for the first time. The new exemption allows a financial liability settled through an electronic payment system to be derecognised before the settlement date, where specified criteria are met. The Group has considered the exemption and decided not to apply it. Note 4.19 sets out the Group's accounting policy. The guidance note in that section also includes an alternative illustrative policy and related transition considerations for an entity that instead elects to take the exemption.	• Note 3.1.3 (New Standards adopted as at 1 January 2026), **Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)** • Note 4.19, Financial instruments (**Recognition and derecognition**)
Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)	The 2025 Example Financial Statements lists this amendment as forthcoming but does not illustrate it, since the Group did not have a relevant contract at that time. This edition sets out the accounting policy and disclosures for a power purchase agreement that qualifies for the own-use exemption under these amendments, including the assessment of whether the contract is a lease within the scope of IFRS 16; an assessment that draws on an IFRIC agenda decision 'Economic Benefits from Use of a Battery under an Offtake Arrangement' finalised in April 2026.	• Note 3.1.4 (New Standards adopted as at 1 January 2026), **Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)** • Note 4.19, Financial instruments **(Contracts referencing nature-dependent electricity)** • Note 39, **Contracts referencing nature-dependent electricity**
Annual Improvements to IFRS Accounting Standards, Volume 11	These annual improvements are minor clarifications to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. This publication explains, in the guidance note following the power purchase agreement disclosures, why no separate disclosure has been made: the amendments are not expected to have a significant impact on this Group. An entity should reach its own conclusion based on its own facts and circumstances.	• Note 3.1, **guidance note following the impact of new amendments discussion**
Disclosures about Uncertainties in the Financial Statements (Illustrative examples)*	The 2025 Example Financial Statements refer to the near-final version of these examples at a general level. This publication includes examples based on the final version, worked through in three places:	• **the discussion of climate-related matters and materiality** in the introduction to this publication • Note 4.17, **Impairment testing of goodwill, other intangible assets and property, plant and equipment**: climate-related key assumptions • Note 4.27, **Provisions, contingent assets and contingent liabilities**: decommissioning and site restoration obligations

*This publication has no effective date, as the illustrative examples accompany existing requirements in IFRS 7, IAS 1, IAS 8, IAS 36 and IAS 37 rather than change them.

Standards not yet effective

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 an entity to disclose standards issued but not yet effective that they will apply in the future. As part of this disclosure an entity must provide known or reasonably estimable information relevant to assessing the possible impact the new IFRS Accounting Standards will have on their financial statements in the period of initial application. For new or amended IFRS Accounting Standards or interpretations that are expected to have a material impact, entities should consider disclosing the title of the new IFRS Accounting Standard, the nature of the expected change in accounting policy, the effective date of the standard, the date at which the entity intends to first apply the standard, and either a discussion of the impact that initial application is expected to have on the entity's financial statements or, if that impact is not known or reasonably estimable, a statement to that effect (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.

The adoption of IFRS 18 'Presentation and Disclosure in Financial Statements', effective for periods commencing on or after 1 January 2027, is expected to have a material impact on the presentation of these Example Financial Statements, and therefore relevant disclosures are included below.

These disclosures reflect the situation where management is still in the process of identifying the possible impact of IFRS 18. Depending on where management are in this process, it may be possible to provide further information about the possible impact of applying IFRS 18. Therefore, two alternative illustrations have been provided below.

Other standards and amendments that are not yet effective and have not been adopted early by the Group include:

- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Amendments to IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Amendment to IAS 21 'Translation to a Hyperinflationary Presentation Currency', and
- IFRS 20 'Regulatory Assets and Regulatory Liabilities'.

None of these standards or amendments is expected to have a significant impact on these Example Financial Statements. However, while they do not affect these Example Financial Statements, they will impact some entities. An entity should assess the anticipated impact of these new standards and amendments on their financial statements based on their own facts and circumstances and make appropriate disclosures.

IAS 8.30
IAS 8.31

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB or IFRIC. None of these standards or amendments to existing standards have been adopted early by the Group, and no interpretations have been issued that are applicable and need to be taken into consideration by the Group at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement and are not expected to have a material impact on the Group's consolidated financial statements.

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 'Presentation of Financial Statements'. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including:

- two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes
- the classification of all income and expenses within the statement of profit or loss in one of five categories
- a new requirement to disclose performance measures defined by management, and
- an improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes.

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed 'Basis of Preparation of Financial Statements'.

The publication of IFRS 18 also results in consequential amendments to other IFRS Accounting Standards, including IAS 7.

IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will be applied retrospectively with specific transitional provisions.

Management's analysis is well progressed. IFRS 18 does not change recognition or measurement, so no change is expected to profit for the year or net assets. Had IFRS 18 been applied to the year ended 31 December 2026, the main changes would have been:

Reclassification of income and expenses

The Group has no specified main business activity. The following items would have been reclassified:

- fair value gains on forward exchange contracts hedging forecast sales (CU 130), exchange gains on trade receivables and payables (CU 937) and remeasurement of contingent consideration (expense of CU 20), which are currently presented outside operating profit (within finance income and costs), would be reclassified as operating income and expenses, and
- rental income from investment property (CU 1,066) and fair value gains on it (CU 310), which are currently included in operating profit (rental income within revenue), would be reclassified into the new investing category.

New subtotals

Operating profit would have been CU 22,974, compared with CU 23,302 when presented in accordance with IAS 1. Profit before financing and income taxes would have been CU 25,580.

Presentation

Finance income, finance costs and other financial items will no longer be presented. Investment property income, exchange differences on trading transactions and on borrowings, restructuring costs and goodwill impairment will each be presented as separate lines in the statement of profit or loss.

Management-defined performance measures

Adjusted operating profit (CU 24,356) and adjusted EBITDA (CU 32,680) are expected to qualify and will be reconciled in a single note.

Expenses by nature
Depreciation, amortisation, employee benefits, impairment and inventory write-downs will be analysed by function line in a single note.

Cash flows
The statement will start from operating profit. Interest paid on capitalised borrowing costs (CU 80) will move from investing to financing activities, and rental income will become a reconciling item from operating profit.

Other new Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

Guidance note: Alternative illustrative wording
If the reporting entity has started to identify the changes but cannot yet quantify them, then an example disclosure is as follows:

'IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will be applied retrospectively with specific transitional provisions. The Group will apply the Standard for the first time for the year ending 31 December 2027. The Group has started to identify the amendments needed and expects to quantify them during 2027. IFRS 18 does not change recognition or measurement, so no change is expected to profit for the year or net assets. The main expected changes are:

Reclassification of income and expenses
The Group has no specified main business activity. It has identified the following items that are expected to be reclassified:

- fair value gains on forward exchange contracts hedging forecast sales, exchange differences on trade receivables and payables, and remeasurement of contingent consideration, which are currently presented outside operating profit (within finance income and costs) and are expected to be reclassified as operating income and expenses, and
- rental income from investment property and fair value movements on it, which are currently included in operating profit (rental income within revenue) and are expected to be reclassified into the new investing category.

New subtotals
Operating profit and profit before financing and income taxes will be presented. Operating profit amount may change as a result of reclassifications described above.

Management-defined performance measures
Adjusted operating profit and adjusted EBITDA are expected to qualify and will be reconciled in a single note.

Expenses by nature
Additional analysis of depreciation, amortisation, employee benefits, impairment and inventory write-downs will be required.

Cash flows
The statement will start from operating profit, and interest paid on capitalised borrowing costs will move from investing to financing activities.'

Appendix E

Effective dates of new IFRS Accounting Standards

Based on IFRS Accounting Standards issued at 31 August 2026

Standard	Title of Standard or Interpretation	Effective for annual reporting periods beginning on or after	Considered for preparation of EFS?	Early application?
IAS 21	Lack of Exchangeability (Amendments to IAS 21)	1 January 2025	✓	✓
IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 7 and IFRS 9)	1 January 2026	✓	✓
IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7	Annual Improvements to IFRS Accounting Standards –Volume 11	1 January 2026	✓	✓
IFRS 9, IFRS 7	Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)	1 January 2026	✓	✓
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	✓	✓
IAS 28	Amendments to the Fair Value Option for Investments in Associates and Joint Ventures	1 January 2027 (or, if earlier, the date IFRS 18 is first applied)	✓	✓
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027	no	✓
IFRS 19	Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027	no	✓
IAS 21	Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21)	1 January 2027	no	✓
IFRS 20	Regulatory Assets and Regulatory Liabilities	1 January 2029	no	✓

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



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