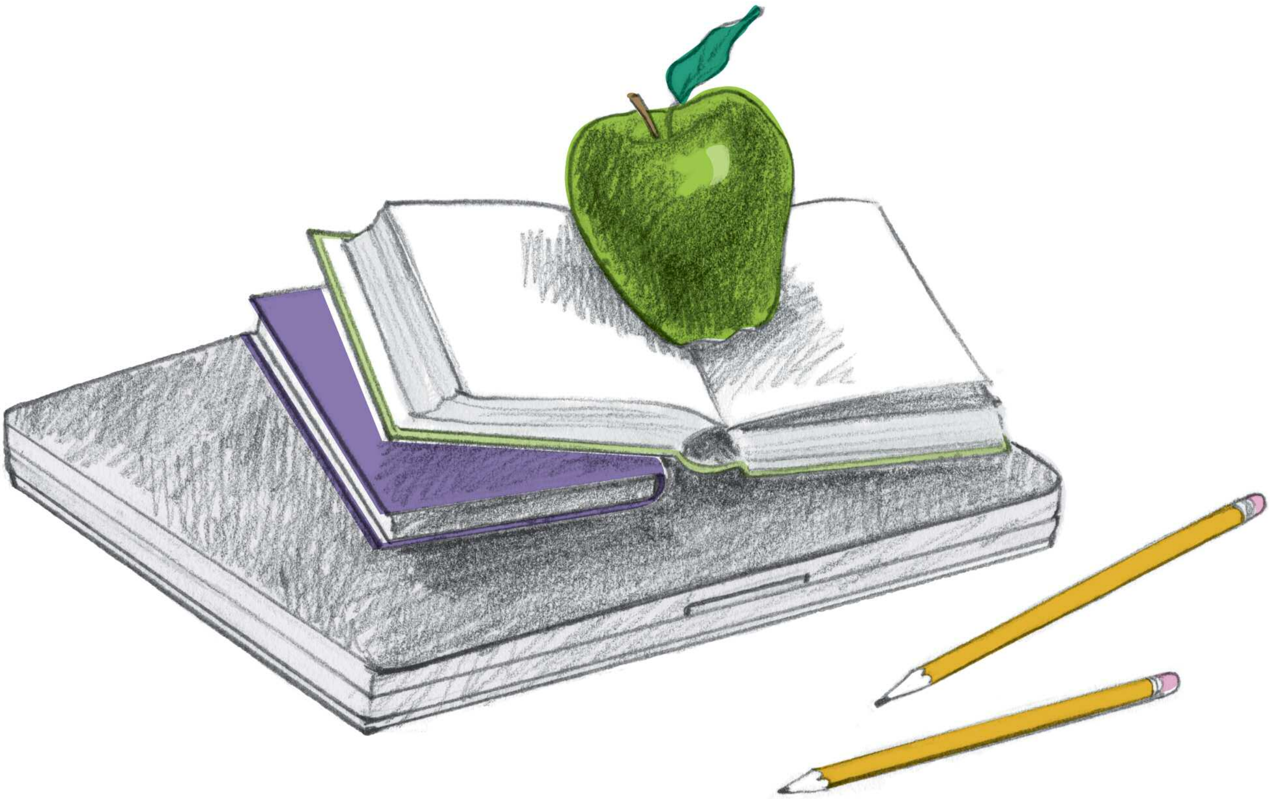
Grant Thornton

Reporting under IFRS: First-time adoption

Example consolidated financial statements 2011 and guidance notes



Introduction

First-time adoption of International Financial Reporting Standards (IFRS) – Example Consolidated Financial Statements 2011

IFRSs are increasingly becoming a truly global accounting framework with many countries committed to adopting them in the next few years. For companies, the process of converting to IFRS and preparing their first IFRS financial statements will be challenging. First-time adopters should comply with IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1). The objective of this Standard is to ensure that first-time IFRS financial statements contain high quality information that can be prepared at a cost not exceeding the benefits. IFRS 1 also specifies a number of additional disclosures for first-time adopters that must be addressed in addition to the normal IFRS presentation and disclosure requirements.

The member firms within Grant Thornton International Ltd (Grant Thornton International) – one of the world's leading organisations of independently owned and managed accounting and consulting firms – have extensive expertise in the first-time application of IFRS. Grant Thornton International, through its IFRS team, develops general guidance that supports its member firms' commitment to high quality, consistent application of IFRS and is therefore pleased to share these insights by publishing First-time adoption: Example Consolidated Financial Statements 2011. This publication reflects the collective experience of Grant Thornton International's IFRS team and member firm IFRS experts. This publication is intended to illustrate the look and feel of IFRS financial statements and to provide a realistic example of their presentation.

Example Consolidated Financial Statements 2011 is based on the activities and results of First International plc and its subsidiaries (the Group) – a fictional manufacturing and retailing entity that prepares its first IFRS financial statements. It illustrates the adoption of IFRSs that are effective for the year ending 31 December 2011 with a date of transition of 1 January 2010.

The form and content of IFRS financial statements depend of course on the activities and transactions of each reporting entity. Our objective in preparing Example Consolidated Financial Statements 2011 was to illustrate one possible approach to financial reporting by an entity engaging in transactions that are typical across a range of non-specialist sectors. However, as with any example, this illustration does not envisage every possible transaction and cannot therefore be regarded as comprehensive. Management is responsible for the fair presentation of financial statements and therefore may find other approaches more appropriate in their specific circumstances.

Example Consolidated Financial Statements 2011 has been reviewed and updated to reflect changes in IFRSs that are effective for the year ending 31 December 2011. However, no account has been taken of any new developments published after 15 December 2011.

Using this publication

IFRS 1 provides first-time adopters with the choice of a number of possible exemptions from the normal requirements of IFRS. Only one possible combination of the choices available to a first-time adopter has been illustrated. Therefore, the publication does not show all the requirements in IFRS 1.

In some areas, alternative presentation is also illustrated in the Appendices. For further guidance on the Standards and Interpretations applied, reference is made to IFRS sources throughout the document on the left hand side of each page.

This publication does not address any jurisdictional or regulatory requirements in areas such as management commentary, remuneration reporting or audit reporting. Most importantly, the use of this publication is not a substitute for the use of a comprehensive and up to date disclosure checklist to ensure completeness of the disclosures in IFRS financial statements.

Grant Thornton International Ltd
January 2012

Example Consolidated Financial Statements: First-time adoption of International Financial Reporting Standards (IFRS)

First International Group 31 December 2011

Contents

Consolidated statement of financial position as at 31 December

		Notes	2011 CU'000	2010 CU'000	2009 CU'000
IAS 1.51(c) IAS 1.51(d-e)					
	Assets				
IAS 1.60/66	**Non-current**				
IAS 1.57	Goodwill	9	**4,965**	3,461	1,234
IAS 1.54(c)	Other intangible assets	10	**14,274**	13,841	10,664
IAS 1.54(a)	Property, plant and equipment	11	**25,417**	23,625	21,006
IAS 1.54(e), IAS 28.38	Investments accounted for using the equity method	7	**430**	23	11
IAS 1.54(b)	Investment property	13	**12,662**	12,277	12,102
IAS 1.54(d)	Other long-term financial assets	14	**3,765**	3,880	4,327
IAS 1.54(o), IAS 1.56	Deferred tax assets	15	**–**	225	520
IAS 1.60	Non-current assets		**61,513**	**57,332**	**49,864**
IAS 1.60/66	**Current**				
IAS 1.54(g)	Inventories	16	**19,739**	18,567	18,671
IAS 1.54(h)	Trade and other receivables	17	**33,629**	25,628	20,719
IAS 1.54(d)	Derivative financial instruments	14	**582**	212	490
IAS 1.54(d)	Other short-term financial assets	14	**655**	649	631
IAS 1.54(n)	Current tax assets		**–**	560	–
IAS 1.54(i)	Cash and cash equivalents	18	**34,285**	10,448	10,007
IAS 1.60	Current assets		**88,890**	**56,064**	**50,518**
IAS 1.55	**Total assets**		**150,403**	**113,396**	**100,382**

Guidance note: Consolidated statement of financial position

The Example Consolidated Financial Statements 2011 use the terminology in IAS 1 Presentation of Financial Statements (IAS 1). However an entity may use other titles (eg balance sheet) for the primary financial statements (IAS 1.10).

IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1) requires the presentation of at least three statements of financial position in the first IFRS financial statements including related notes (IFRS 1.21). In effect, the statement of financial position at 31 December 2009 in the Example Consolidated Financial Statements 2011 is the opening statement of financial position (the date of transition is 1 January 2010). In future periods, the first-time adopter applies the requirements in IAS 1 for comparative information.

The statement of financial position includes a current/non-current distinction. When presentation based on liquidity is reliable and more relevant, the entity can choose to present the statement of financial position in order of liquidity (IAS 1.60). The entity will then not present a current/non-current distinction in the statement of financial position. However the disclosure requirements for amounts expected to be recovered or settled before or after 12 months must still be applied (IAS 1.61).

Consolidated statement of financial position as at 31 December

		Notes	2011 CU'000	2010 CU'000	2009 CU'000
IAS 1.51(c) IAS 1.51(d-e)					
	Equity and liabilities				
IAS 1.57	**Equity**				
IAS 1.54(r)	Share capital	19	**13,770**	12,000	12,000
IAS 1.78(e)	Share premium	19	**19,645**	3,050	3,050
IAS 1.78(e)	Other components of equity	19	**937**	521	1,204
IAS 1.54(r)	Retained earnings		**50,649**	38,017	24,479
	Equity attributable to owners of the parent		**85,001**	**53,588**	**40,733**
IAS 1.54(q)	Non-controlling interest		**713**	592	476
IAS 1.55	**Total equity**		**85,714**	**54,180**	**41,209**
	Liabilities				
IAS 1.60/69	**Non-current**				
IAS 1.55	Pension and other employee obligations	20	**9,168**	8,756	8,186
IAS 1.54(m)	Borrowings	14	**21,000**	21,265	21,405
IAS 1.54(k)	Trade and other payables	22	**4,096**	4,608	5,002
IAS 1.54(o)/56	Deferred tax liabilities	15	**5,324**	3,701	2,664
IAS 1.55	Other liabilities	23	**2,020**	1,500	1,600
IAS 1.55	Non-current liabilities		**41,608**	**39,830**	**38,857**
IAS 1.60/69	**Current**				
IAS 1.54(l)	Provisions	21	**1,460**	3,590	4,400
IAS 1.55	Pension and other employee obligations	20	**1,467**	1,496	1,336
IAS 1.54(m)	Borrowings	14	**4,815**	3,379	3,818
IAS 1.54(k)	Trade and other payables	22	**9,249**	7,286	7,702
IAS 1.54(n)	Current tax liabilities		**3,332**	–	228
IAS 1.54(m)	Derivative financial instruments	14	**–**	160	–
IAS 1.55	Other liabilities	23	**2,758**	3,475	2,832
IAS 1.55	Current liabilities		**23,081**	**19,386**	**20,316**
IAS 1.55	**Total liabilities**		**64,689**	**59,216**	**59,173**
IAS 1.55	**Total equity and liabilities**		**150,403**	**113,396**	**100,382**

See guidance note on page 1.

Consolidated income statement for the year ended 31 December

		Notes	2011	2010
IAS 1.51(c) IAS 1.51(d-e)			CU'000	CU'000
IAS 1.82(a)	Revenue	8	**206,193**	191,593
IAS 1.85	Other income		**427**	641
IAS 1.85	Changes in inventories		**(7,823)**	(5,573)
IAS 1.85	Costs of material		**(42,634)**	(40,666)
IAS 1.85	Employee benefits expense	20	**(114,190)**	(108,673)
IAS 1.85	Change in fair value of investment property	13	**310**	175
IAS 1.85	Depreciation, amortisation and impairment of non-financial assets		**(7,942)**	(6,826)
IAS 1.85	Other expenses		**(12,722)**	(12,361)
	Operating profit		**21,619**	**18,310**
IAS 1.82(c)	Share of profit from equity accounted investments	7	**60**	12
IAS 1.82(b)	Finance costs	24	**(3,473)**	(3,594)
IAS 1.85	Finance income	25	**994**	793
IAS 1.85	Other financial items	26	**3,388**	3,599
	Profit before tax		**22,588**	**19,120**
IAS 1.82(d)	Tax expense	27	**(7,133)**	(5,932)
IAS 1.82(f)	**Profit for the year**		**15,455**	**13,188**
	Profit for the year attributable to:			
IAS 1.83(a)(i)	Non-controlling interest		**121**	116
IAS 1.83(a)(ii)	Owners of the parent		**15,334**	13,072
			15,455	**13,188**
	Earnings per share	28		
IAS 33.66/67A	Basic earnings per share		**1.22**	1.09
IAS 33.66/67A	Diluted earnings per share		**1.22**	1.09

Guidance note: Consolidated income statement

IAS 1 permits the statement of comprehensive income to be presented:

- in a **single** statement of comprehensive income, or
- in **two** statements: a statement displaying components of profit or loss (separate income statement) and a statement of comprehensive income.

The example financial statements illustrate a statement of comprehensive income in two statements. A single statement presentation is shown in Appendix B.

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

This income statement presents an operating profit subtotal, which is commonly seen but is not required or defined in IFRS. Where this subtotal is provided, the figure disclosed should include items that would normally be considered to be operating. It is inappropriate to exclude items clearly related to operations (eg inventory write-downs and restructuring and relocation expenses) on the basis that they do not occur regularly or are unusual in amount (see IAS 1 Basis for Conclusions paragraph 56).

This income statement includes an amount representing the entity's share of profit from equity accounted investments. This amount represents profit after tax and non-controlling interest in those investments (as indicated in the Illustrative Financial Statement Structure in IAS 1).

Consolidated statement of comprehensive income for the year ended 31 December

		Notes	2011	2010
IAS 1.51(c)				
IAS 1.51(d-e)			CU'000	CU'000
IAS 1.81(b)	**Profit for the year**		**15,455**	**13,188**
IAS 1.82(g)	**Other comprehensive income:**			
IAS 16.77(f)	Revaluation of land	11	**303**	–
	Cash flow hedging	14		
IFRS 7.23(c-d)	– current year gains (losses)		**367**	(47)
IAS 1.92	– reclassification to profit or loss		**260**	(425)
	Available-for-sale financial assets	14		
IFRS 7.20(a)(ii)	– current year gains (losses)		**113**	35
IAS 1.92	– reclassification to profit or loss		**(50)**	–
IAS 21.52(b)	Exchange differences on translating foreign operations		**(664)**	(341)
IAS 1.82(h)	Share of other comprehensive income of equity accounted investments		**5**	–
IAS 1.92	– reclassification to profit or loss		**(3)**	–
IAS 1.90	Income tax relating to components of other comprehensive income	15	**85**	95
	Other comprehensive income for the year, net of tax		**416**	**(683)**
IAS .82(i)	**Total comprehensive income for the year**		**15,871**	**12,505**
	Total comprehensive income for the year attributable to:			
IAS 1.83(b)(i)	Non-controlling interest		**121**	116
IAS 1.83(b)(ii)	Owners of the parent		**15,750**	12,389
			15,871	**12,505**

Guidance note: Consolidated statement of comprehensive income

IAS 1 requires the entity to disclose reclassification adjustments and related tax effects relating to components of other comprehensive income. In this example, the entity presents reclassification adjustments and current year gains and losses relating to other comprehensive income on the face of the statement of comprehensive income (IAS 1.92). An entity may instead present reclassification adjustments in the notes, in which case the components of other comprehensive income are presented after any related reclassification adjustments (IAS 1.94).

Similarly, IAS 1.90 permits a choice for disclosure of the amount of income tax relating to each component of other comprehensive income. In this example, the entity presents components of other comprehensive income before tax with one amount shown for the aggregate amount of income tax relating to all components of other comprehensive income (IAS 1.91(b)). Alternatively, the entity may present each component of other comprehensive income net of related tax effects, IAS 1.91(a). If the tax effect of each component of other comprehensive income is not presented on the face of the statement, it is presented in the notes (see note 20.3).

Consolidated statement of changes in equity for the year ended 31 December

		Notes	Share capital	Share premium	Other components of equity	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
IAS 1.51(d-e)			CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
IAS 1.106(d)	**Balance at 1 January 2011**		**12,000**	**3,050**	**521**	**38,017**	**53,588**	**592**	**54,180**
	Dividends		–	–	–	(3,000)	(3,000)	–	(3,000)
	Issue of share capital under share-based payment	19	270	1,415	–	–	1,685	–	1,685
	Employee share-based payment options	20	–	–	–	298	298	–	298
	Issue of share capital	19	1,500	15,180	–	–	16,680	–	16,680
IAS 1.106(d)(iii)	Transactions with owners		1,770	16,595	–	(2,702)	15,663	–	15,663
IAS 1.106(d)(i)	Profit for the year		–	–	–	15,334	15,334	121	15,455
IAS 1.106(d)(ii), IAS 1.106A	Other comprehensive income	19	–	–	416	–	416	–	416
IAS 1.106(a)	Total comprehensive income for the year		–	–	416	15,334	15,750	121	15,871
IAS 1.106(d)	**Balance at 31 December 2011**		**13,770**	**19,645**	**937**	**50,649**	**85,001**	**713**	**85,714**
IAS 1.106(d)	**Balance at 1 January 2010**		**12,000**	**3,050**	**1,204**	**24,479**	**40,733**	**476**	**41,209**
	Employee share-based payment options	20	–	–	–	466	466	–	466
IAS 1.106(d)(iii)	Transactions with owners		–	–	–	466	466	–	466
IAS 1.106(d)(i)	Profit for the year		–	–	–	13,072	13,072	116	13,188
IAS 1.106(d)(ii), IAS 1.106A	Other comprehensive income	19	–	–	(683)	–	(683)	–	(683)
IAS 1.106(a)	Total comprehensive income for the year		–	–	(683)	13,072	12,389	116	12,505
IAS 1.106(d)	**Balance at 31 December 2010**		**12,000**	**3,050**	**521**	**38,017**	**53,588**	**592**	**54,180**

Guidance note: Consolidated statement of changes in equity

IAS 1.106 provides a list of items to be presented on the face of the statement of changes in equity. It was amended by the 2010 Improvements to IFRSs, which clarified that entities may present the required reconciliations for each component of other comprehensive income either (1) in the statement of changes in equity or (2) in the notes to the financial statements (IAS 1.106(d)(ii) and IAS 1.106A).

Consequently, these example financial statements present the reconciliations for each component of other comprehensive income in the notes to the financial statements (see note 20.3). This reduces duplicated disclosures and presents more clearly the overall changes in equity.

IFRS 2 Share-based Payment requires an entity to recognise equity-settled share-based payment transactions as changes in equity but does not specify how this is presented, eg in a separate reserve within equity or within retained earnings. In our view, either approach is allowed under IFRS. However, this is subject to local regulations. In these example financial statements, these changes in equity are credited to retained earnings.

Consolidated statement of cash flows for the year ended 31 December

		Notes	2011	2010
IAS 1.51(c)				
IAS 1.51(d-e)			CU'000	CU'000
IAS 7.10	**Operating activities**			
	Profit before tax		**22,588**	19,120
	Adjustments	29	**8,741**	8,281
	Contributions to defined benefit plans		**(1,186)**	(1,273)
	Net changes in working capital	29	**(2,153)**	(1,092)
	Settling of derivative financial instruments		**(33)**	716
IAS 7.35	Taxes paid		**(1,696)**	(5,588)
	Net cash from operating activities		**26,261**	**20,164**
IAS 7.10	**Investing activities**			
	Purchase of property, plant and equipment		**(76)**	(3,281)
	Proceeds from disposals of property, plant and equipment		**86**	–
	Purchase of other intangible assets		**(516)**	(3,235)
	Proceeds from disposals of other intangible assets		**924**	–
IAS 7.39	Acquisition of subsidiaries, net of cash	5	**(15,714)**	(12,076)
	Proceeds from disposals and redemptions of non-derivative financial assets		**228**	132
IAS 7.31	Interest received	25	**752**	447
IAS 7.31	Dividends received	25	**62**	21
IAS 7.35	Taxes paid		**(244)**	(140)
	Net cash used in investing activities		**(14,498)**	**(18,132)**
IAS 7.10	**Financing activities**			
	Proceeds from borrowings		**1,441**	–
	Repayment of borrowings		**(3,778)**	(649)
	Proceeds from issue of share capital		**18,365**	–
IAS 7.31	Interest paid	24	**(1,015)**	(985)
IAS 7.31	Dividends paid	28	**(3,000)**	**–**
	Net cash from (used in) financing activities		**12,013**	**(1,634)**
IAS 7.45	**Net change in cash and cash equivalents**		**23,776**	398
	Cash and cash equivalents, beginning of year		**10,448**	10,007
IAS 7.28	Exchange differences on cash and cash equivalents		**61**	43
IAS 7.45	**Cash and cash equivalents, end of year**	18	**34,285**	**10,448**

Guidance note: Consolidated statement of cash flows

This format illustrates the indirect method of determining operating cash flows (IAS 7.18(b)). An entity may also determine the operating cash flows using the direct method (IAS 7.18(a)).

Notes to the consolidated financial statements

1. Nature of operations

IAS 1.51(a) IAS 1.138(b) The principal activities of First International plc and subsidiaries (the Group) include the design, development, sale and after-sales service of customised IT and telecommunication systems. These activities are grouped into the following service lines:

- consulting – focused on the design and sale of phone and intranet based in-house applications; customisation and integration of IT and telecommunication systems
- service – provides after-sale service and maintenance of IT and telecommunication systems
- retail – involved in the on-line sales of hardware and software products of the Group's business partners.

2. General information and statement of compliance with IFRS

IAS 1.138(a) IAS 1.138(c) First International plc (First International), 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. First International's shares are listed on the Greatstocks Stock Exchange.

IAS 1.16 IAS 1.51(b) The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These are the Group's first financial statements prepared in accordance with IFRS (see note 34 for explanation of the transition to IFRS).

IAS 1.51(c) IAS 10.17 The consolidated financial statements for the year ended 31 December 2011 (including comparatives) were approved and authorised for issue by the board of directors on 8 March 2012 (see note 36). Under the security regulations act of Euroland, amendments to the financial statements are not permitted after approval.

Guidance note: Notes to the consolidated financial statements

The example notes to the financial statements only include disclosures that are relevant to the fictitious entity – First International and subsidiaries. IFRS may require additional disclosures in other situations. The disclosures should be tailored in all cases to reflect the entity's specific facts and circumstances, based on a comprehensive and up to date disclosure checklist.

3. Summary of accounting policies

3.1 Overall considerations

IAS 1.117 The consolidated financial statements have been prepared using the significant accounting policies and measurement bases that are in effect at 31 December 2011, as summarised below. These were used throughout all periods presented in the financial statements, except where the Group has applied certain accounting policies and exemptions upon transition to IFRS (see note 34 for details).

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Group are presented in note 4.

3.2 Basis of consolidation

IAS 1.117(a) The Group financial statements consolidate those of the parent company
IAS 1.117(b) and all of its subsidiaries as of 31 December 2011. Subsidiaries are all
IAS 27.41(a) entities over which the Group has the power to control the financial and
IAS 27.40(c) operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

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.

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.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. 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.

3.3 Business combinations

IAS 1.117(a) The Group applies the acquisition method in accounting for business
IAS 1.117(b) 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.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Guidance note: Changes in accounting policies
The discussion of the initial application of IFRSs needs to be disclosed only in the first financial statements after the new or revised rules have been adopted by the entity.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

3.4 Investments in associates and joint ventures

IAS 31.57
IAS 1.117(a)
IAS 1.117(b)

Entities whose economic activities are controlled jointly by the Group and other venturers independent of the Group (joint ventures) are accounted for using the proportionate consolidation method, whereby the Group's share of the assets, liabilities, income and expenses is included line by line in the consolidated financial statements.

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

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

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.

3.5 Foreign currency translation

Functional and presentation currency

IAS 21.53
IAS 1.51(d)

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

Foreign currency transactions and balances

IAS 1.117(a)
IAS 1.117(b)

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

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

Foreign operations

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 currency of the entities in the Group has remained unchanged during the reporting period.

IAS 21.47 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 over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in
IAS 21.48 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.

Guidance note: Foreign operations
Note that the use of average rates is appropriate only if rates do not fluctuate significantly (IAS 21.40).

3.6 Segment reporting

IFRS 8.22(a) The Group has three operating segments: the consulting, service and
IFRS 8.22(b) retail segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services (see note 1).

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.

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

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

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

3.7 Revenue

IAS 18.35(a) Revenue arises from the sale of goods and the rendering of services plus the Group's share of the revenue of its joint ventures. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The Group often enters into sales transactions involving a range of the Group's products and services, for example for the delivery of hardware, software and related after-sales service. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction. The consideration received from these multiple-component transaction is allocated to each separately identifiable component in proportion to its relative fair value.

IAS 1.117(b) **Sale of goods (hardware or software)**

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery. Where significant tailoring, modification or integration is required, revenue is recognised in the same way as construction contracts for telecommunication systems described below.

When goods are sold together with customer loyalty incentives, the consideration receivable is allocated between the sale of goods and sale of incentives based on their fair values. Revenue from sale of incentives is recognised when they are redeemed by customers in exchange for products supplied by the Group.

IAS 1.117(b)

Rendering of services

The Group generates revenues from after-sales service and maintenance, consulting and construction contracts for telecommunication systems. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date in the same way as construction contracts for telecommunication systems described below.

The Group also earns rental income from operating leases of its investment properties (see note 13). Rental income is recognised on a straight-line basis over the term of the lease.

IAS 1.117(b)

Construction contracts for telecommunication systems

Construction contracts for telecommunication systems specify a fixed price for the development and installation of IT and telecommunication systems.

IAS 11.39(b)
IAS 18.35(a)

When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the Group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

IAS 1.117(a)
IAS 11.39(c)
IAS 1.122

A construction contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date. The maximum amount of revenue recognised for each milestone is determined by estimating relative contract fair values of each contract phase, ie by comparing the Group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total estimated costs estimated for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented within other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

IAS 18.30 **Interest and dividends**

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividends, other than those from investments in associates, are recognised at the time the right to receive payment is established.

3.8 Operating expenses

IAS 1.117(b) Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

3.9 Borrowing costs

IAS 1.117(b) Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs (see note 24).

3.10 Goodwill

IAS 1.117(a) Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 3.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 3.14 for a description of impairment testing procedures.

3.11 Other intangible assets

IAS 1.117(b) **Recognition of other intangible assets**

Acquired software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. Brand names and customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values (see note 3.3).

Internally developed software

IAS 1.117(b) Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred.

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

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

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

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

Subsequent measurement

IAS 38.118(a) IAS 38.118(b) All intangible assets, including caplitalised 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, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 3.14. The following useful lives are applied:

- Software: 3-5 years
- Brand names: 15-20 years
- Customer lists: 4-6 years.

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in note 3.14.

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

IAS 1.117(b) Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

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

3.12 Property, plant and equipment

Land

IAS 16.73(a) IAS 16.73(c) IAS 1.117(a) IAS 1.117(b) Land held for use in production or administration is stated at revalued amounts. Revalued amounts are fair market 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. 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 3.14) has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

IAS 16.73(b) As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Buildings, IT equipment and other equipment

IAS 16.73(a) IAS 1.117(a) 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 it to be capable of operating in the manner intended by the Group's management. Buildings and IT equipment also include leasehold property held under a finance lease (see note 3.13). Buildings, IT equipment and other equipment are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

IAS 16.73(b) IAS 16.73(c) Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, IT equipment and other equipment. The following useful lives are applied:

- Buildings: 25-50 years
- IT equipment: 2-5 years
- Other equipment: 3-12 years.

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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

3.13 Leased assets

Finance leases

IAS 1.117(a) IAS 1.117(b) The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

See note 3.12 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

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

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

IAS 1.117(b) 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 the related business combination and represent the lowest level within the Group at which management monitors goodwill.

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

IAS 1.122 An impairment loss is recognised for the amount by which the asset's
IAS 1.117(a) or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell 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 interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.15 Investment property

Investment property is made up of properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

IAS 40.75(a) Investment properties are revalued annually and are included in the
IAS 40.75(d) statement of financial position at their open market values. These values
IAS 40.75(e) are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

IAS 1.117(b) Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within change in fair value of investment property.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively, and are recognised as described in notes 3.7 and 3.8, respectively.

3.16 Financial instruments

Recognition, initial measurement and derecognition

IFRS 7.21 Financial assets and financial liabilities are recognised when the Group
IAS 1.117(b) becomes a party to the contractual provisions of the financial instrument
IAS 1.117(a) and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

IAS 1.117(b) Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

IAS 1.117(a) **Classification and subsequent measurement of financial assets**

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

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

IFRS 7.B5(f) All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

Loans and receivables

IAS 1.117(a)
IAS 1.117(b) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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

IAS 1.117(a) Financial assets at FVTPL

IAS 1.117(b)
Also:
IFRS 7.B5(a Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

IFRS 7.B5(e) 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.

IAS 1.117(a) HTM investments

IAS 1.117(b) HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity. The Group currently holds listed bonds designated into this category.

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

IAS 1.117(a) AFS financial assets

IAS 1.117(b)
IFRS 7.B5(b)
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed securities and debentures, and the equity investment in XY Ltd.

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

IAS 1.117(a)
IAS 1.117(b)
All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income (see note 3.7).

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

IAS 1.117(b) **Classification and subsequent measurement of financial liabilities**

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

IAS 1.117(a) Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

IAS 1.117(a)
IFRS 7.B5(a)
The Group has designated some financial liabilities at FVTPL to reduce significant measurement inconsistencies between investment properties in the United States and related US-dollar bank loans with fixed interest rates. These investment properties are measured using the fair value model (see note 3.15), where changes in the fair value of these assets are recognised in profit or loss. The fair value of loans used to finance these assets correlates significantly with the valuation of the investment properties held by the Group, because both measures are highly reactive to the market interest rate for 30-year government bonds. The loans are managed and evaluated on a fair value basis through a quarterly management review in comparison with the investment property valuations. Therefore, the Group designates such fixed interest rate loans as at FVTPL if they are secured by specific investment property assets that are held by the Group. This accounting policy reduces significantly what would otherwise be an accounting mismatch.

IAS 1.117(b) All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

IAS 1.117(b) Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

IFRS 7.22(a) IFRS 7.22(c) For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding sales and purchase orders denominated in foreign currency.

IAS 1.117(a) All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

IAS 1.117(b) To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

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.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss.

3.17 Inventories

IAS 2.36(a) IAS 1.117(a) Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.18 Income taxes

IAS 1.117(a) IAS 1.117(b) 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.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

IAS 1.117(a)
IAS 1.122

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

IAS 1.117(b)

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.19 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 that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.20 Equity, reserves and dividend payments

IAS 1.79(b)

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

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

Other components of equity include the following:

- revaluation reserve – comprises gains and losses from the revaluation of land (see note 3.12)
- translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into CU (see note 3.5)
- reserves for AFS financial assets and cash-flow hedges – comprises gains and losses relating to these types of financial instruments (see note 3.16).

Retained earnings includes all current and prior period retained profits and share-based employee remuneration (see note 3.22).

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

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

3.21 Post employment benefits and short-term employee benefits

Post employment benefit plans

IAS 1.117(b) The Group provides post employment benefits through various defined contribution and defined benefit plans.

Defined contribution plans

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

Defined benefit plans

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.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

IAS 1.117(a) Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

IAS 19.120A(a) Actuarial gains and losses are not recognised as an expense unless the total unrecognised gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Interest expenses related to pension obligations are included in finance costs in profit or loss. Return on plan assets is included in other financial items. All other post employment benefit expenses are included in employee benefits expense.

Short-term employee benefits

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

3.22 Share-based employee remuneration

IAS 1.117(b) The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

IAS 1.117(a) All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

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

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 cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Guidance note: Share-based employee remuneration

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

3.23 Provisions, contingent assets and contingent liabilities

IAS 1.117(b) 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. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

IAS 1.117(a) 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.

Any reimbursement that the Group can be 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 1.117(a) In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

3.24 Significant management judgement in applying accounting policies and estimation uncertainty

IAS 1.122 When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

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

Recognition of service and construction contract revenues

Determining when to recognise revenues from after-sales services requires an understanding of the customer's use of the related products, historical experience and knowledge of the market. Recognising construction contract revenue also requires significant judgment in determining milestones, actual work performed and the estimated costs to complete the work (see note 3.7).

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see note 3.11).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets 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 3.18).

IAS 1.125 **Estimation uncertainty**

Information about estimates and assumptions that 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

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 3.14). In 2011, the Group recognised an impairment loss on goodwill (see note 9) and internally generated software (see note 10).

Useful lives of depreciable assets

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

Inventories

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

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see note 3.3). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see note 5.1).

Construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty (see note 3.7).

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Estimation uncertainties exist particularly with regard to the assumed medical cost trends. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 20.3).

Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 14.7).

4 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

IAS 8.30 At the date of authorisation of these financial statements, certain new
IAS 8.31 standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Guidance note: Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

These example financial statements were published in January 2012 and take into account new and amended standards and interpretations published up to and including 15 December 2011. In practice, this note should reflect those new and amended standards and interpretations published up to the date the financial statements are authorised for issue.

IFRS 9 Financial Instruments (IFRS 9)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

Guidance note: IFRS 9 Financial Instruments (IFRS 9

In December 2011, the IASB published an amendment to postpone the mandatory effective date until 1 January 2015.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements (IFRS 10)

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

IFRS 11 Joint Arrangements (IFRS 11)
IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)
IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28)
IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

IFRS 13 Fair Value Measurement (IFRS 13)
IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements (IAS 1 Amendments)
The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

Amendments to IAS 19 Employee Benefits (IAS 19 Amendments)
The IAS 19 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:
- eliminate the 'corridor method', requiring entities to recognise all actuarial gains and losses arising in the reporting period
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of IAS 19 is effective for financial years beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.

5. Acquisitions and disposals

5.1 Acquisition of Goodtech GmbH in 2011

IFRS 3.B64(a-d) On 31 March 2011, the Group acquired 100% of the equity instruments of Goodtech GmbH (Goodtech), a Hamburg (Euroland) based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the on-line retail market for computer and telecommunications hardware in Euroland. Goodtech is a significant business in Euroland in the Group's targeted market.

The details of the business combination are as follows:

		CU'000
IFRS 3.B64(f)	**Fair value of consideration transferred**	
IFRS 3.B64(f)(i)	Amount settled in cash	16,058
IFRS 3.B64(f)(iii)	Fair value of contingent consideration	600
IAS 7.40(a)	**Total**	**16,658**
IFRS 3.B64(i)	**Recognised amounts of identifiable net assets**	
IAS 7.40(d)	Property, plant and equipment	4,622
	Intangible assets	5,255
	Investments accounted for using the equity method	345
	Investment property	75
	Total non-current assets	**10,297**
	Inventories	8,995
	Trade and other receivables	7,792
	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	(5,689)
	Total current liabilities	**(9,321)**
	Identifiable net assets	**14,220**
	Goodwill on acquisition	**2,438**
IAS 7.40(b)	Consideration transferred settled in cash	16,058
IAS 7.40(c)	Cash and cash equivalents acquired	(567)
IAS 7.42	Net cash outflow on acquisition	**15,491**
	Acquisition costs charged to expenses	223
	Net cash paid relating to the acquisition	**15,714**

Consideration transferred

IFRS 3.B64(f)(i) The acquisition of Goodtech was settled in cash amounting to CU 16,058,000.

IFRS 3.B64 (g)(i-iii) The purchase agreement included an additional consideration of CU 1,310,000, payable only if the average profits of Goodtech for 2011 and 2012 exceed a target level agreed by both parties. The additional consideration will be paid on 1 April 2013. The CU 600,000 fair value of the contingent consideration liability initially recognised represents the present value of the Group's probability-weighted estimate of the cash outflow. It reflects management's estimate of a 50% probability that the targets will be achieved and is discounted using an interest rate of 4.4%.

IFRS 3.B67 (b)(i-iii) As at 31 December 2011, there have been no changes in the estimate of the probable cash outflow but the liability has increased to CU 620,000 due to the unwinding of the discount.

IFRS 3.B64(m) Acquisition-related costs amounting to CU 223,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated income statement, as part of other expenses.

Guidance note: Consideration transferred
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 contingent consideration.

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 7,792,000, with a gross contractual amount of CU 7,867,000. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to CU 75,000.

Goodwill

IFRS 3.67(e) IAS 36.133 IFRS 3.B64(k) Goodwill of CU 2,438,000 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Goodtech's workforce and expected cost synergies. Goodwill has been allocated to the retail segment and is not expected to be deductible for tax purposes.

Goodtech's contribution to the Group results

IFRS 3.B64 (q)(i-ii) Goodtech incurred a loss of CU 20,000 for the 9 months from 31 March 2011 to the reporting date, primarily due to integration costs.

If Goodtech had been acquired on 1 January 2011, revenue of the Group for 2011 would have been CU 212 million, and profit for the year would have increased by CU 350,000.

5.2 Acquisition of Good Buy Inc. in 2010

IFRS 3.B64 (a-d) On 30 June 2010, the Group acquired 100% of the equity instruments of Good Buy Inc. (Good Buy), a Delaware (USA) based business, thereby obtaining control. The acquisition of Good Buy was made to enhance the Group's position as an on-line retailer for computer and telecommunications hardware in the US market.

The details of the business combination are as follows:

		CU'000
IFRS 3.B64(f)	**Fair value of consideration transferred**	
IFRS 3.B64(f)(i)	Amount settled in cash	**12,345**
IAS 7.40(a/d)	**Recognised amounts of identifiable net assets**	
IFRS 3.B64(i)	Property, plant and equipment	3,148
IAS 7.40(d)	Intangible assets	3,005
	Total non-current assets	**6,153**
	Inventories	5,469
	Trade and other receivables	5,200
	Cash and cash equivalents	345
	Total current assets	**11,014**
	Deferred tax liabilities	(435)
	Non-current liabilities	**(435)**
	Provisions	(1,234)
	Other liabilities	(657)
	Trade and other payables	(4,989)
	Total current liabilities	**(6,880)**
	Identifiable net assets	**9,852**
	Goodwill on acquisition	**2,493**
IAS 7.40(d)	Consideration transferred settled in cash	12,345
IAS 7.40(c)	Cash and cash equivalents acquired	(345)
IAS 7.42	Net cash outflow on acquisition	**12,000**
	Acquisition costs charged to expenses	76
	Net cash paid relating to the acquisition	**12,076**

Consideration transferred

IFRS 3.B64(f)(i) The acquisition of Good Buy was settled in cash amounting to CU 12,345,000.

IFRS 3.B64(m) Acquisition-related costs amounting to CU 76,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated income statement, as part of other expenses.

Identifiable net assets

IFRS 3.B64 (h)(i-iii) The fair value of the trade and other receivables acquired as part of the business combination amounted to CU 5,200,000, with a gross contractual amount of CU 5,350,000. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to CU 150,000.

Goodwill

IFRS 3.67(e) IAS 36.133 IFRS 3.B64(k) Goodwill of CU 2,493,000 is primarily related to the sales force and the sales know-how of key personnel of Good Buy. Goodwill has been allocated to the retail segment and is not expected to be deductible for tax purposes.

Good Buy's contribution to the Group results

IFRS 3.B64 (q)(i-ii) Good Buy contributed CU 400,000 to the consolidated profit for the 6 months from 1 July 2010 to 31 December 2010. If Good Buy had been acquired on 1 January 2010, revenue of the Group for 2010 would have been CU 196,000,000. 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 2010 reporting period cannot be determined reliably.

6. Jointly controlled entities

IAS 31.56 The Group owns a 50% interest in Halftime Ltd (Halftime) and is the only jointly controlled entity within the Group. Its financial statements have been incorporated into the consolidated financial statements using the proportionate consolidation method. The aggregate amounts relating to Halftime Ltd are as follows:

	2011 CU'000	2010 CU'000	2009 CU'000
Non-current assets	300	250	245
Current assets	310	190	189
Total assets	**610**	**440**	**434**
Non-current liabilities	(50)	(40)	(45)
Current liabilities	(150)	(125)	(129)
Total liabilities	**(200)**	**(165)**	**(174)**
Income	400	389	385
Expenses	(320)	(321)	(322)

7. Investments in associates

IAS 28.37(e) The Group holds a 25% voting and equity interest in Equipe Consultants S.A. (Equipe) which provides support to the Group's consulting activities. As of 31 March 2011, the Group holds a 30% voting and equity interest in Shopmore GmbH (Shopmore), acquired through acquisition of Goodtech (see note 5.1). The investments are accounted for under the equity method. Both associates have a reporting date of 31 December.

IAS 28.37(a) The shares are not publicly listed on a stock exchange and hence published price quotes are not available. The aggregate amounts of certain financial information of the associates are summarised as follows:

	2011 CU'000	2010 CU'000	2009 CU'000
Assets	4,698	470	408
Liabilities	(3,247)	(380)	(365)
Revenues	1,710	560	510
Profit (loss)	256	49	(10)
Profit attributable to the Group	60	12	(2)

IAS 28.37(f) Dividends are subject to the approval of at least 51% of all shareholders of the associates. During 2011 and 2010 the Group received no dividends.

8. Segment reporting

IAS 8.22(a) Management currently identifies the Group's three service lines as its operating segments (see note 3.6). These operating segments are monitored by the Group's chief decision maker and strategic decisions are made on the basis of adjusted segment operating results.

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

Segment information for the reporting periods are as follows:

		Consulting 2011 CU'000	Service 2011 CU'000	Retail 2011 CU'000	Other 2011 CU'000	Total 2011 CU'000
	Revenue					
IFRS 8.23(a)	From external customers	110,810	18,140	72,098	4,079	205,127
IFRS 8.23(b)	From other segments	231	–	–	–	231
	Segment revenues	**111,041**	**18,140**	**72,098**	**4,079**	**205,358**
	Changes in inventories	(4,694)	–	(3,129)	–	(7,823)
IFRS 8.23(f)	Costs of material	(17,468)	(5,442)	(18,500)	(1,397)	(42,807)
	Employee benefits expense	(54,224)	(10,863)	(40,259)	(2,447)	(107,793)
IFRS 8.23(e)	Depreciation and amortisation of non-financial assets	(3,388)	(555)	(2,205)	(125)	(6,273)
IAS 36.129(a)	Impairment of non-financial assets	(1,669)	–	–	–	(1,669)
	Other expenses	(9,446)	(30)	(1,243)	(10)	(10,729)
IFRS 8.23	**Segment operating profit**	**20,152**	**1,250**	**6,762**	**100**	**28,264**
IFRS 8.23	**Segment assets**	**68,256**	**11,174**	**44,410**	**2,513**	**126,353**

		Consulting 2010 CU'000	Service 2010 CU'000	Retail 2010 CU'000	Other 2010 CU'000	Total 2010 CU'000
	Revenue					
IFRS 8.23(a)	From external customers	109,302	17,832	59,310	4,121	190,565
IFRS 8.23(b)	From other segments	110	–	–	–	110
	Segment revenues	**109,412**	**17,832**	**59,310**	**4,121**	**190,675**
	Changes in inventories	(3,344)	–	(2,229)	–	(5,573)
IFRS 8.23(f)	Costs of material	(18,516)	(5,350)	(15,564)	(1,319)	(40,749)
	Employee benefits expense	(56,277)	(10,498)	(32,586)	(2,473)	(101,834)
IFRS 8.23(e)	Depreciation and amortisation of non-financial assets	(3,585)	(587)	(2,332)	(132)	(6,636)
IAS 36.129(a)	Impairment of non-financial assets	(190)	–	–	–	(190)
	Other expenses	(9,203)	(100)	(1,737)	(20)	(11,060)
IFRS 8.23	**Segment operating profit**	**18,297**	**1,297**	**4,862**	**177**	**24,633**
IFRS 8.23	**Segment assets 2010**	**51,455**	**8,424**	**33,479**	**1,894**	**95,252**
IFRS 8.23	**Segment assets 2009**	**45,550**	**7,457**	**29,637**	**1,677**	**84,321**

Guidance note: Segment reporting

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

The Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are divided into the following geographical areas:

		2011 CU000 Revenue	2011 CU000 Non-current assets	2010 CU000 Revenue	2010 CU000 Non-current assets	2009 CU000 Non-current assets
IFRS 8.33(a)						
IFRS 8.33(b)	Euroland (domicile)	164,102	45,854	152,452	42,563	36,005
	United Kingdom	20,513	5,732	19,057	5,320	4,501
	USA	18,461	5,159	17,151	4,788	4,051
	Other countries	2,051	573	1,905	533	449
	Total	**205,127**	**57,318**	**190,565**	**53,204**	**45,006**

IFRS 8.33(a) Revenues from external customers in the Group's domicile, Euroland, as well as its major markets, the United Kingdom and the USA, have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

IFRS 8.34 During 2011, CU 24,744,000 or 12% (2010: CU 21,076,000 or 11%) of the Group's revenues depended on a single customer in the consulting segment.

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

		2011 CU'000	2010 CU'000
IFRS 8.28(a)	**Revenues**		
	Total reportable segment revenues	201,279	186,554
	Other segment revenues	4,079	4,121
	Rental income from investment property	1,066	1,028
	Elimination of intersegment revenues	(231)	(110)
	Group revenues	**206,193**	**191,593**
IFRS 8.28(b)	**Profit or loss**		
	Total reportable segment operating profit	28,164	24,456
	Other segment profit	100	177
	Rental income from investment property	1,066	1,028
	Change in fair value of investment property	310	175
	Share-based payment expenses	(298)	(466)
	Post-employment benefit expenses	(6,099)	(6,373)
	Research and development costs	(1,690)	(1,015)
	Other income not allocated	427	641
	Other expenses not allocated	(303)	(286)
	Elimination of intersegment profits	(58)	(27)
	Group operating profit	**21,619**	**18,310**
	Share of profits from equity accounted investments	60	12
	Finance costs	(3,473)	(3,594)
	Finance income	994	793
	Other financial items	3,388	3,599
	Group profit before tax	**22,588**	**19,120**

		2011 CU'000	2010 CU'000	2009 CU'000
IFRS 8.28(c)	**Assets**			
	Total reportable segment assets	123,840	93,358	82,644
	Other segment assets	2,513	1,894	1,677
	Group headquarters	3,986	2,053	1,386
	Investment property	12,662	12,277	12,102
	Research Lab	5,125	2,640	1,782
	Other assets	3,416	1,760	1,188
	Consolidation	(1,139)	(586)	(397)
	Group assets	**150,403**	**113,396**	**100,382**

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

IFRS 8.32 IAS 18.35(b) An analysis of the Group's revenue for each major product and service category is as follows:

		2011 CU'000	2010 CU'000
IFRS 8.32	Sale of hardware	47,585	39,145
	Sale of software	24,513	20,165
	Other	4,079	4,121
IAS 18.35(b)(ii)	Sale of goods	**76,177**	**63,431**
	After-sales service and maintenance	18,140	17,832
	Consulting	59,837	60,116
IAS 11.39(a)	Construction contracts for telecommunication systems	50,973	49,186
IAS 40.75(f)	Rental income	1,066	1,028
IAS 18.35(b)(ii)	Rendering of services	**130,016**	**128,162**
	Group revenue	**206,193**	**191,593**

9. Goodwill

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

		2011 CU'000	2010 CU'000
IFRS 3.B67(d)	**Gross carrying amount**		
IFRS 3.B67(d)(i)	Balance 1 January	3,651	1,234
IFRS 3.B67(d)(ii)	Acquired through business combination	2,438	2,493
IFRS 3.B67 (d)(vi)	Net exchange difference	(135)	(76)
IFRS 3.B67 (d)(viii)	Balance 31 December	5,954	3,651
	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	**4,965**	**3,461**

Impairment testing

IAS 36.134 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 follows:

		2011 CU'000	2010 CU'000	2009 CU'000
IAS 36.134(a)	Retail	4,720	2,417	–
	Consulting	245	1,044	1,234
	Goodwill at 31 December	**4,965**	**3,461**	**1,234**

IFRS 1.C4(g)
IFRS 1.IG40
At the date of transition, the consulting unit's goodwill was tested for impairment based on conditions at that date. The forecast at the transition date showed that no impairment was necessary. The impairment recognised in 2011 and 2010 is a result of later revisions to those estimates and accordingly, has been recognised in the periods that these revisions relate to.

IAS 36.134(c)
IAS 36.134(d)
The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using growth rates determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate.

IAS 36.134 (d)(iv-v)

	Growth rates			Discount rates		
	2011	2010	2009	2011	2010	2009
Retail	3.0%	3.0%	–	9.3%	9.5%	–
Consulting	0.1%	0.5%	2.4%	10.9%	10.1%	9.5%

Growth rates

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

Discount rates

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

Cash flow assumptions

Retail segment

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

Consulting segment

IAS 36.130(a) The forecast was adjusted in 2010 for the decline in consulting services
IAS 36.130(d) related to conventional telecommunication solutions. The market shifted
IAS 36.134(d)(i) considerably towards inter- and intranet based solutions during 2010 and
IAS 36.134(d)(ii) continued in 2011. As a result, management expects lower growth and
moderately declining profit margins for this segment.

Impairment testing, taking into account these latest developments, resulted in the further reduction of goodwill in 2011 to its recoverable amount. See note 10 for the related impairment of other intangible assets.

IAS 36.126(a) The related goodwill impairment loss of CU 799,000 in 2011
IAS 36.129(a) (2010: CU 190,000) was included within depreciation, amortisation and
IAS 36.130(b), impairment of non-financial assets.
and (d)(ii) Apart from the considerations in determining the value-in-use of the
IAS 36.134(f) segments described above, management is not currently aware of any
IAS 1.125 other probable changes that would necessitate changes in its key
estimates. However, 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 300,000 would have to be recognised, of which CU 245,000 would be written off against goodwill and CU 55,000 against property, plant and equipment.

10. Other intangible assets

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

		Acquired software licences CU'000	Internally developed software CU'000	Brand names CU'000	Customer lists CU'000	Total CU'000
IAS 38.118	**Gross carrying amount**					
	Balance at 1 January 2011	13,308	15,094	760	374	29,536
IAS 38.118(e)(i)	Addition, separately acquired	440	–	–	–	440
	Addition, internally developed	–	156	–	–	156
	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)
	Balance at 31 December 2011	16,169	15,196	975	1,761	34,101
	Amortisation and impairment					
	Balance at 1 January 2011	(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)
	Balance at 31 December 2011	(7,739)	(11,602)	(287)	(199)	(19,827)
	Carrying amount					
	31 December 2011	**8,430**	**3,594**	**688**	**1,562**	**14,274**
IAS 38.118	**Gross carrying amount**					
	Balance at 1 January 2010	8,672	14,600	–	–	23,272
IAS 38.118(e)(i)	Addition, separately acquired	2,797	–	–	–	2,797
	Addition, internally developed	–	516	–	–	516
	Acquisition through business combination	1,859	–	768	378	3,005
IAS 38.118 (e)(vii)	Net exchange differences	(20)	(22)	(8)	(4)	(54)
	Balance at 31 December 2010	13,308	15,094	760	374	29,536
	Amortisation and impairment					
	Balance at 1 January 2010	(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)
	Balance at 31 December 2010	(6,063)	(9,381)	(162)	(89)	(15,695)
	Carrying amount					
	31 December 2010	**7,245**	**5,713**	**598**	**285**	**13,841**
	Carrying amount					
	31 December 2009	**4,230**	**6,434**	**–**	**–**	**10,664**

IAS 38.126 Additions to internally developed software include capitalised borrowing costs of CU 80,000 (2010: CU 78,000). In addition, research and development costs of CU 1,690,000 (2010: CU 1,015,000) were recognised as other expenses.

IAS 36.130(b) An impairment loss of CU 870,000 (2010: Nil) was recognised for
IAS 36.130(c)(i) internally developed software used to provide certain after-sales and
IAS 36.130(c)(ii) maintenance services within the consulting segment (see note 8). The
IAS 36.130(a) recoverable amount of the asset is its value-in-use, determined based on
IAS 36.130(e) management's expectation that the market will shift considerably
IAS 36.130(g) towards other alternative software products and will significantly reduce future revenues and profits in the next two to three years (see note 9 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 100,000 (2010: CU 970,000) would be reduced to CU Nil.

IAS 38.118(d) All amortisation and impairment charge are included within
IAS 36.126(a) depreciation, amortisation and impairment of non-financial assets.

IAS 38.122(e) During the year, the Group entered into an agreement to acquire enterprise resource planning software, to support the planning and administration of the Group's operations. Minimum contractual commitments resulting from this agreement are CU 97,000 payable during 2012. No other material contractual commitments were entered into during 2011 or 2010.

11. 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
		CU'000	CU'000	CU'000	CU'000	CU'000
	Gross carrying amount					
IAS 16.73(d)	Balance 1 January 2011	7,697	23,960	8,001	2,942	42,600
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 2011	8,709	24,775	10,228	3,253	46,965
	Depreciation and impairment					
IAS 16.73(d)	Balance 1 January 2011	–	(15,359)	(2,493)	(1,123)	(18,975)
IAS 16.73(e)(ii)	Disposals	–	315	–	–	315
IAS 16.73 (e)(viii)	Net exchange differences	–	(54)	(53)	(36)	(143)
IAS 16.73(e)(vii)	Depreciation	–	(1,315)	(890)	(540)	(2,745)
IAS 16.73(d)	Balance 31 December 2011	–	(16,413)	(3,436)	(1,699)	(21,548)
	Carrying amount 31 December 2011	**8,709**	**8,362**	**6,792**	**1,554**	**25,417**

		Land	Buildings	IT equipment	Other equipment	Total
		CU'000	CU'000	CU'000	CU'000	CU'000
	Gross carrying amount					
IAS 16.73(d)	Balance 1 January 2010	7,697	23,067	4,316	1,226	36,306
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)(viii)	Net exchange differences	–	(108)	(15)	(12)	(135)
IAS 16.73(d)	Balance 31 December 2010	7,697	23,960	8,001	2,942	42,600
	Depreciation and impairment					
IAS 16.73(d)	Balance 1 January 2010	–	(12,944)	(1,805)	(551)	(15,300)
IAS 16.73 (e)(viii)	Net exchange differences	–	(72)	(10)	(8)	(90)
IAS 16.73(e)(vii)	Depreciation	–	(2,343)	(678)	(564)	(3,585)
IAS 16.73(d)	Balance 31 December 2010	–	(15,359)	(2,493)	(1,123)	(18,975)
	Carrying amount 31 December 2010	**7,697**	**8,601**	**5,508**	**1,819**	**23,625**
	Carrying amount 31 December 2009	**7,697**	**10,123**	**2,511**	**675**	**21,006**

IAS 16.77(a) IAS 16.77(b) IAS 16.77(c) IAS 16.77(d) The Group's land was revalued on 23 November 2011 by independent valuers. The land was previously revalued in December 2009. Fair values were estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land.

Land with a value of CU 730,000, recognised upon the acquisition of Goodtech (see note 5.1) was not revalued to fair value at the reporting date. Management determined that the effect of changes in market prices between the acquisition and reporting date is immaterial.

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 7,421,000 (2010 and 2009: CU 6,712,000). The revalued amounts include a revaluation surplus of CU 1,288,000 before tax (2010 and 2009: CU 985,000), which is not available for distribution to the shareholders of First International.

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

IAS 16.74(a Land and buildings have been pledged as security for the Group's other bank borrowings (see note 14.6).

IAS 16.74(c) The Group has a contractual commitment to acquire IT equipment of CU 1,304,000 payable in 2012. In 2011 or 2010, there were no other material contractual commitments.

12. Leases

12.1 Finance leases as lessee

IAS 17.31(a) The Group's main warehouse and related facilities and certain IT equipment are held under finance lease arrangements. As of 31 December 2011, the net carrying amount of the warehouse and related facilities is CU 3,362,000 (2010: CU 3,723,000; 2009: CU 4,151,000), included as part of buildings and of the IT equipment is CU 231,000 (2010: CU 480,000; 2009: CU 590,000), included as part of IT equipment (see note 11).

Finance lease liabilities (see note 22) are secured by the related assets held under finance leases. Future minimum finance lease payments at 31 December were as follows:

	Minimum lease payments due	within 1 year CU'000	1 to 5 years CU'000	after 5 years CU'000	Total CU'000
	31 December 2011				
IAS 17.31(b)	Lease payments	727	1,415	3,539	5,681
	Finance charges	(215)	(330)	(528)	(1,073)
	Net present values	**512**	**1,085**	**3,011**	**4,608**
	31 December 2010				
IAS 17.31(b)	Lease payments	726	1,432	4,072	6,230
	Finance charges	(220)	(336)	(560)	(1,116)
	Net present values	**506**	**1,096**	**3,512**	**5,114**
	31 December 2009				
IAS 17.31(b)	Lease payments	828	1,429	4,531	6,788
	Finance charges	(230)	(337)	(621)	(1,188)
	Net present values	**598**	**1,092**	**3,910**	**5,600**

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

12.2 Operating leases as lessee

The Group leases an office and production building under an operating lease. The future minimum lease payments are as follows:

	Minimum lease payments due	within 1 year CU'000	1 to 5 years CU'000	after 5 years CU'000	Total CU'000
IAS 17.35(a)	31 December 2011	4,211	12,567	25,678	42,456
	31 December 2010	3,431	12,100	24,342	39,873
	31 December 2009	3,362	11,858	23,855	39,075

IAS 17.35(c) Lease expense during the period amounts to CU 3,568,000 (2010: CU 3,398,000), representing the minimum lease payments.

IAS 17.35(d) The rental contract has a non-cancellable term of 15 years. The building was subject to a sale and lease back transaction in 2003. A related gain was included in other liabilities (see note 23) and is being amortised over the remaining lease term.

12.3 Operating leases as lessor

The Group leases out investment properties on operating leases (see note 13).

13. Investment property

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

IAS 40.75(d) The fair values of investment properties were estimated using observable data on recent transactions and rental yields for similar properties. Changes to the carrying amounts are as follows:

		2011 CU'000	2010 CU'000
IAS 40.76	Carrying amount 1 January	12,277	12,102
	Additions:		
IAS 40.76(b)	Through business combinations	75	–
	Change in fair value:		
IAS 40.76(d)	Net gain	288	150
IAS 40.76(e)	Net exchange differences	22	25
IAS 40.76(d)	Total change in fair value	310	175
IAS 40.76	**Carrying amount 31 December**	**12,662**	**12,277**

IAS 40.75(g) Investment properties valued at CU8,327,000 are pledged as security for related borrowings.

IAS 40.75(f) All properties are leased out on operating leases. Rental income amounts to CU 1,066,000 (2010: CU 1,028,000) included within revenue. Direct operating expenses of CU 213,000 (2010: CU 206,000) were reported within other expenses, of which CU 18,000 (2010: CU 12,000) was incurred on vacant properties that did not generate rental income.

IAS 17.56(c) The lease contracts are all non-cancellable for 8 years from the
IAS 17.56(a) commencement of the lease. Future minimum lease rentals are as follows:

	Minimum lease income due	within 1 year CU'000	1 to 5 years CU'000	after 5 years CU'000	Total CU'000
IAS 17.56(a)	31 December 2011	1,075	5,375	2,090	8,540
	31 December 2010	1,030	5,150	1,978	8,158
	31 December 2009	1,009	5,047	1,938	7,994

14. Financial assets and liabilities

14.1 Categories of financial assets and financial liabilities

IFRS 7.25 Note 3.16 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:

		Note	AFS	Held for trading (FVTPL)	Derivatives used for hedging	HTM	Loans and receivables	Total
			(carried at fair value)			(carried at amortised cost)		
			CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
	31 December 2011							
	Financial assets							
IFRS 7.8(b)	Bonds	14.2	–	–	–	2,814	–	2,814
IFRS 7.8(d)	Securities and debentures (a)	14.3	951	–	–	–	–	951
	Other long-term financial assets		951	–	–	2,814	–	3,765
IFRS 7.8(a)(ii)	Other short-term financial assets	14.4	–	655	–	–	–	655
IFRS 7.8(a)(ii)	Derivative financial instruments	14.5	–	115	467	–	–	582
IFRS 7.8(c)	Trade and other receivables (b)	17	–	–	–	–	30,945	30,945
IFRS 7.8(c)	Cash and cash equivalents	18	–	–	–	–	34,285	34,285
			951	**770**	**467**	**2,814**	**65,230**	**70,232**

		Note	Derivatives used for hedging	Designated at FVTPL	Other liabilities at FVTPL	Other liabilities	Total
			(carried at fair value)			(amortised cost)	
			CU'000	CU'000	CU'000	CU'000	CU'000
	Financial liabilities						
IFRS 7.8(e)(i)	Non-current borrowings	14.6	–	7,700	–	13,300	21,000
IFRS 7.8(e)(i), IFRS 7.8(f)	Current borrowings	14.6	–	250	–	4,565	4,815
IFRS 7.8(f)	Trade and other payables	22	–	–	–	13,345	13,345
IFRS 7.7	Derivative financial instruments	14.5	–	–	–	–	–
IFRS 7.8(e)(ii)	Contingent consideration	23	–	–	620	–	620
			–	**7,950**	**620**	**31,210**	**39,780**

		Note	AFS	Held for trading (FVTPL)	Derivatives used for hedging	HTM	Loans and receivables	Total
			(carried at fair value)			(carried at amortised cost)		
			CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
	31 December 2010							
	Financial assets							
IFRS 7.8(b)	Bonds	14.2	–	–	–	2,992	–	2,992
IFRS 7.8(d)	Securities and debentures (a)	14.3	888	–	–	–	–	888
	Other long-term financial assets		888	–	–	2,992	–	3,880
IFRS 7.8(a)(ii)	Other short-term financial assets	14.4	–	649	–	–	–	649
IFRS 7.8(a)(ii)	Derivative financial instruments	14.5	–	212	–	–	–	212
IFRS 7.8(c)	Trade and other receivables (b)	17	–	–	–	–	23,441	23,441
IFRS 7.8(c)	Cash and cash equivalents	18	–	–	–	–	10,448	10,448
			888	**861**	**–**	**2,992**	**33,889**	**38,630**

		Note	Derivatives used for hedging	Designated at FVTPL	Other liabilities	Total
			(carried at fair value)		(amortised cost)	
			CU'000	CU'000	CU'000	CU'000
	Financial liabilities					
IFRS 7.8(e)(i)	Non-current borrowings	14.6	–	7,965	13,300	21,265
IFRS 7.8(e)(i), IFRS 7.8(f)	Current borrowings	14.6	–	255	3,124	3,379
IFRS 7.8(f)	Trade and other payables	22	–	–	11,894	11,894
IFRS 7.7	Derivative financial instruments	14.5	160	–	–	160
			160	**8,220**	**28,318**	**36,698**

		Note	AFS	Held for trading (FVTPL)	Derivatives used for hedging	HTM	Loans and receivables	Total
			(carried at fair value)			(carried at amortised cost)		
			CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
	31 December 2009							
	Financial assets							
IFRS 7.8(b)	Bonds	14.2	–	–	–	3,124	–	3,124
IFRS 7.8(d)	Securities and debentures (a)	14.3	1,203	–	–	–	–	1,203
	Other long-term financial assets		1,203	–	–	3,124	–	4,327
IFRS 7.8(a)(ii)	Other short-term financial assets	14.4	–	631	–	–	–	631
IFRS 7.8(a)(ii)	Derivative financial instruments	14.5	–	178	312	–	–	490
IFRS 7.8(c)	Trade and other receivables (b)	17	–	–	–	–	18,873	18,873
IFRS 7.8(c)	Cash and cash equivalents	18	–	–	–	–	10,007	10,007
			1,203	**809**	**312**	**3,124**	**28,880**	**34,328**

		Note	Derivatives used for hedging	Designated at FVTPL	Other liabilities	Total
			(carried at fair value)		(amortised cost)	
			CU'000	CU'000	CU'000	CU'000
	Financial liabilities					
IFRS 7.8(e)(i)	Non-current borrowings	14.6	–	8,105	13,300	21,405
IFRS 7.8(e)(i), IFRS 7.8(f)	Current borrowings	14.6	–	275	3,543	3,818
IFRS 7.8(f)	Trade and other payables	22	–	–	12,704	12,704
IFRS 7.7	Derivative financial instruments	14.5	–	–	–	–
			–	**8,380**	**29,547**	**37,927**

(a) certain investment is carried at cost less impairment charges because fair value cannot be determined reliably
(b) these amounts only represent trade receivables that are financial assets of the Group

IFRS 7.27
IFRS 7.33

For financial assets and liabilities measured at fair value, the methods used to measure fair value are described in note 14.7. A description of the Group's financial instrument risks, including risk management objectives and policies is given in note 32.

14.2 HTM investments

IFRS 7.7 HTM investments comprise public traded zero coupon and US straight bonds with fixed interest rates between 5.5% and 6.2%. They mature in 2012 and 2013. The carrying amounts (measured at amortised cost) and fair values of these bonds are as follows:

		2011 CU'000	2010 CU'000	2009 CU'000
	Carrying amount at amortised cost:			
	Zero coupon bonds	1,110	1,189	1,250
	US straight bonds	1,704	1,803	1,874
IFRS 7.8(b)		**2,814**	**2,992**	**3,124**
	Fair value:			
IFRS 7.25	Zero coupon bonds	1,190	1,186	1,246
	US straight bonds	1,705	1,809	1,750
		2,895	**2,995**	**2,996**

IFRS 7.27 Fair values of these bonds have been estimated by reference to their quoted bid prices at their reporting date. The fair value of the US straight bonds also reflects the US-dollar spot rate as at the reporting date.

14.3 AFS financial assets

The details and carrying amounts of AFS financial assets are as follows:

		2011 CU'000	2010 CU'000	2009 CU'000
IFRS 7.25	Listed equity securities	421	343	330
IFRS 7.25	Listed debentures	97	112	90
	Total AFS financial assets at fair value	**518**	**455**	**420**
	Investment in XY Ltd	433	433	783
IFRS 7.8(d)		**951**	**888**	**1,203**

The equity securities and debentures are denominated in CU and are publicly traded in Euroland.

IFRS 7.30(a)-(d) The investment in XY Ltd represents a 15% equity interest in an unlisted company, one of the Group's suppliers. XY Ltd is undertaking a major restructuring process since 2010, which has triggered possible litigation by third parties. Due to these uncertainties, the fair value of the Group's investment in this entity cannot be reliably measured. Therefore, it has been stated at cost less impairment charges. In 2010, an impairment charge of CU 350,000 was recognised within finance cost. The Group plans to continue to hold its investment in XY Ltd while it secures other supply lines.

14.4 Financial assets held for trading

IFRS 7.B5(a)(i) Financial assets held for trading consists of various investments in money market funds (presented as other short-term financial assets) that are held by the Group for short-term trading and certain derivative financial statements (see note 14.5). All of these money market funds are publicly traded on stock exchanges in Euroland.

14.5 Derivative financial instruments

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

		2011 CU'000	2010 CU'000	2009 CU'000
IFRS 7.22(b)	US-dollar forward contracts – cash flow hedge	467	–	312
	Other forward exchange contracts – held-for-trading	115	212	178
	Derivative financial assets	**582**	**212**	**490**
IFRS 7.22(b)	US-dollar forward contracts – cash flow hedge	–	(160)	–
	Derivative financial liabilities	**–**	**(160)**	**–**
		582	**52**	**490**

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

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

IFRS 7.23(a) IFRS 7.23 (b) The Group's US-dollar forward contracts relate to cash flows that have been forecasted for October – December 2012. All forecast transactions for which hedge accounting has been used are expected to occur.

IFRS 7.23(c) During 2011, a gain of CU 367,000 (2010: a loss of CU 47,000) was recognised in other comprehensive income. The cumulative gain recorded in equity is CU 467,000 (2010: cumulative loss of CU 160,000; 2009: cumulative gain of CU 312,000).

IFRS 7.23(d) IFRS 7.23(e) During 2011, a loss of CU 260,000 (2010: net gain of CU 425,000) was reclassified from equity into profit or loss within revenue.

14.6 Borrowings

Borrowings include the following financial liabilities:

		Current			Non-current		
		2011 CU'000	2010 CU'000	2009 CU'000	2011 CU'000	2010 CU'000	2009 CU'000
IFRS 7.8(e)(i)	Designated at FVTPL:						
	US-dollar loans	250	255	275	7,700	7,965	8,105
IFRS 7.8(f)	Measured at amortised cost:						
	Other bank borrowings	4,565	3,124	3,543	–	–	–
	Non-convertible bond	–	–	–	8,300	8,300	8,300
	Subordinated shareholder loan	–	–	–	5,000	5,000	5,000
	Total carrying amounts	**4,815**	**3,379**	**3,818**	**21,000**	**21,265**	**21,405**

IFRS 7.25 Other than the US-dollar loans, all borrowings are denominated in CU. Estimated fair values are as follows:

	Fair value			Carrying amount		
	2011 CU'000	2010 CU'000	2009 CU'000	2011 CU'000	2010 CU'000	2009 CU'000
US-dollar loans at FVTPL	7,950	8,220	8,380	7,950	8,220	8,380
Other bank borrowings	4,565	3,124	3,543	4,565	3,124	3,543
Non-convertible bond	8,259	8,383	8,466	8,300	8,300	8,300
Subordinated shareholder loan	4,975	5,050	5,100	5,000	5,000	5,000
Total borrowings	**25,749**	**24,777**	**25,489**	**25,815**	**24,644**	**25,223**

IFRS 7.27 Fair values of long-term financial liabilities have been determined by calculating their present values at the reporting date, using fixed effective market interest rates available to the Group. Except for the US-dollar loans, no fair value changes have been included in profit or loss for the period as financial liabilities are carried at amortised cost in the statement of financial position.

US-dollar loans at FVTPL

US-dollar loans are designated at FVTPL to significantly reduce measurement inconsistencies (see note 3.16). The interest rate is fixed at 4%. Movements in the carrying amount of these US-dollar loans are presented below:

		2011 CU'000	2010 CU'000
	Carrying amount 1 January	8,220	8,380
	Repayments	(300)	(230)
	Change in fair values:		
IFRS 7.10(a)	– changes in credit risk	–	–
	– other market factors	30	70
IFRS 7.25	**Carrying amount 31 December**	**7,950**	**8,220**

IFRS 7.10(a)
IFRS 7.11(a) The cumulative changes since the designation of these borrowings at FVTPL, attributable to changes in credit risk are CU Nil (2010 and 2009: Nil). The Group estimates the credit-risk related change in fair value on a residual basis, as the difference between fair value-changes specifically attributable to interest rates and foreign exchange rates and the total change in fair value. At year-end the estimate shows an insignificant change attributable to credit risk.

IFRS 7.10(b) The total undiscounted amount repayable at maturity in respect of the loan, converted at year-end exchange rates is CU 7,755,000 (2010: CU 8,055,000; 2009: CU 8,285,000), equivalent to a difference between the carrying amount and the amount repayable of CU 195,000 (2010: CU 165,000; 2009: CU 95,000).

IFRS 7.27 The fair value of the loans is measured as described in note 14.7.

Borrowings at amortised cost:

IAS 16.74(a) Other bank borrowings are secured by land and buildings owned by the
IFRS 7.31 Group (see note 11). Current interest rates are variable and average 4.0% (2010: 4.1%; 2009: 4.2%).

IFRS 7.31 The Group's non-convertible bond with a fixed interest rate of 5.0% matures on 20 May 2014 and is therefore classified as non-current.

IAS 24.17 The subordinated shareholder loan was provided by First International's main shareholder, LOM Investment Trust in 2008. It is perpetual and carries a fixed coupon of 4.0%. It is repayable only upon liquidation of First International.

14.7 Financial instruments measured at fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value 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 (ie as prices) or indirectly (ie derived from prices)
- level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The hierarchy of the fair value measurement of the Group's financial assets and financial liabilities are as follows:

IFRS 7.27B(a)

31 December 2011	Note	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Assets					
Listed securities and debentures	a)	518	–	–	518
Money market funds	a)	655	–	–	655
US-dollar forward contracts					
– cash flow hedge	b)	–	467	–	467
Other forward exchange contracts					
– held-for-trading	b)	–	94	21	115
Total		**1,173**	**561**	**21**	**1,755**
Liabilities					
US-dollar loans	c)	–	(7,950)	–	(7,950)
Contingent consideration	d)	–	–	(620)	(620)
Total		**–**	**(7,950)**	**(620)**	**(8,570)**
Net fair value		**1,173**	**(7,389)**	**(599)**	**(6,815)**

IFRS 7.27B(a)

31 December 2010	Note	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Assets					
Listed securities and debentures	a)	455	–	–	455
Money market funds	a)	649	–	–	649
Other forward exchange contracts					
– held-for-trading	b)	–	184	28	212
Total		**1,104**	**184**	**28**	**1,316**
Liabilities					
US-dollar forward contracts	b)	–	(160)	–	(160)
– cash flow hedge					
US-dollar loans	c)	–	(8,220)	–	(8,220)
Total		–	(8,380)	–	(8,380)
Net fair value		**1,104**	**(8,196)**	**28**	**(7,064)**

IFRS 7.27B(a)

31 December 2009	Note	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Assets					
Listed securities and debentures	a)	420	–	–	420
Money market funds	a)	631	–	–	631
US-dollar forward contracts					
– cash flow hedge	b)	–	312	–	312
Other forward exchange contracts					
– held-for-trading	b)	–	144	34	178
Total		**1,051**	**456**	**34**	**1,541**
Liabilities					
US-dollar loans	c)	–	(8,380)	–	(8,380)
Total		**–**	**(8,380)**	**–**	**(8,380)**
Net fair value		**1,051**	**(7,924)**	**34**	**(6,839)**

Measurement of fair value

IFRS 7.27 The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

a) Listed securities, debentures and money market funds

IFRS 7.27 Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Foreign currency forward contracts

IFRS 7.27 The Group's foreign currency forward contracts are not traded in active markets. The fair values of most of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, eg market exchange and interest rates and are included in Level 2 of the fair value hierarchy. However, a few of the Group's derivative positions in foreign currency forward contracts relate to currencies for which markets are less developed and observable market data are not available. For these contracts, management uses its best estimate about the assumptions that market participants would make. These contracts are therefore classified within Level 3.

c) US-dollar loans

IFRS 7.27 The fair values of the US-dollar loans are estimated using a valuation technique. All significant inputs into the model are based on observable market prices, eg market interest rates of similar loans with similar risk. The interest rate used for this calculation is 3.9%.

d) Contingent consideration

IFRS 7.27 The fair value of contingent consideration related to the acquisition of Goodtech (see note 5.1) is estimated using a valuation technique. Significant inputs into the model are based on management's assumption of the expected cash outflow and a discount rate of 4.4%

Level 3 fair value measurements

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

		Foreign currency forward contracts		Contingent consideration	
		2011	2010	2011	2010
		CU'000	CU'000	CU'000	CU'000
IFRS 7.27B(c)	Balance 1 January	28	34	–	–
	Gains or losses recognised in:				
IFRS 7.27B(c)(i)	– Profit or loss	23	18	(20)	–
IFRS 7.27B(c)(ii)	– Other comprehensive income	–	–	–	–
IFRS 7.27B(c)(iii)	Settlements	(30)	(24)	–	–
IFRS 7.27B(c)(iii)	Arising from a business combination	–	–	(600)	–
IFRS 7.27B(c)	**Balance 31 December**	**21**	**28**	**(620)**	**–**

IFRS 7.27B(d) Gains or losses related to these financial instruments are recognised as finance items in profit or loss and can be attributed as follows:

	Foreign currency forward contracts		Contingent consideration	
	2011	2010	2011	2010
	CU'000	CU'000	CU'000	CU'000
Held at the end of the reporting period	21	28	(20)	–
No longer held at the end of the reporting period	2	(10)	–	–
Total gains or losses	**23**	**18**	**(20)**	**–**

IFRS 7.27B(e) Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

15. Deferred tax assets and liabilities

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

IAS 12.81(g)

Deferred tax liabilities(assets)	1 January 2011	Recognised in other comprehensive income	Recognised in business combination	Recognised in profit and loss	31 December 2011
	CU'000	CU'000	CU'000	CU'000	CU'000
Non-current assets					
– Other intangible assets	847	(63)	444	31	1,259
– Property, plant and equipment	2,130	(22)	188	406	2,702
– Other long-term financial assets	(95)	–	–	19	(76)
– Investment property	1,914	–	–	93	2,007
Current assets					
– Trade and other receivables	(168)	–	–	38	(130)
Current liabilities					
– Provisions	(1,077)	–	–	639	(438)
Unused tax losses	(75)	–	–	75	–
	3,476	**(85)**	**632**	**1,301**	**5,324**
Recognised as:					
Deferred tax asset	**(225)**				**–**
Deferred tax liability	**3,701**				**5,324**

IAS 12.81(g)

Deferred tax liabilities(assets)	1 January 2010 CU'000	Recognised in other comprehensive income CU'000	Recognised in business combination CU'000	Recognised in profit and loss CU'000	31 December 2010
Non-current assets					
– Other intangible assets	409	(27)	210	255	847
– Property, plant and equipment	1,528	(68)	225	445	2,130
– Other long-term financial assets	–	–	–	(95)	(95)
– Investment property	1,861	–	–	53	1,914
Current assets					
– Trade and other receivables	(34)	–	–	(134)	(168)
Current liabilities					
– Provisions	(1,320)	–	–	243	(1,077)
Unused tax losses	(300)	–	–	225	(75)
	2,144	**(95)**	**435**	**992**	**3,476**
Recognised as:					
Deferred tax asset	**(520)**				**(225)**
Deferred tax liability	**2,664**				**3,701**

The amounts recognised in other comprehensive income relate to revaluation of land and exchange differences on translating foreign operations. See note 19.3 for the amount of the income tax relating to these components of other comprehensive income.

IAS 12.81(f) A deferred tax liability of CU 1,000 (2010 and 2009: CU 2,000) associated with an investment in a domestic subsidiary has not been recognised, as the Group controls the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future. The tax value is equivalent to a temporary difference of CU 3,000 (2010 and 2009: CU 7,000).

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

16. Inventories

Inventories consist of the following:

IAS 1.77
IAS 1.78(c)
IAS 2.36(b)

	2011 CU'000	2010 CU'000	2009 CU'000
Raw materials and consumables	7,737	7,907	7,710
Merchandise	12,002	10,660	10,961
	19,739	**18,567**	**18,671**

IAS 2.36(d)
IAS 2.36(e)

In 2011, a total of CU 35,265,000 (2010: CU 32,907,000) of inventories was included in profit and loss as an expense. This includes an amount of CU 361,000 (2010: CU 389,000) resulting from write down of inventories.

17. Trade and other receivables

Trade and other receivables consist of the following:

IAS 1.77
IAS 1.78(b)

	2011 CU'000	2010 CU'000	2009 CU'000
Trade receivables, gross	31,265	23,889	18,873
Allowance for credit losses	(432)	(560)	(112)
Trade receivables	**30,833**	**23,329**	**18,761**
Receivable due from ABC associates	112	112	112
Financial assets	**30,945**	**23,441**	**18,873**
Social security and other taxes	1,012	898	998
Construction contracts for telecommunication systems	1,374	974	670
Prepayments	298	315	178
Non-financial assets	**2,684**	**2,187**	**1,846**
	33,629	**25,628**	**20,719**

IFRS 7.25
IFRS 7.29
IAS 1.60

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 associates relates to the remaining consideration due on the sale of a former subsidiary in 2009. 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 time value of money is not significant.

IFRS 7.37(b)

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of CU 72,000 (2010: CU 514,000) has been recorded accordingly within other expenses. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

IFRS 7.16

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

		2011 CU'000	2010 CU'000
IFRS 7.16	Balance 1 January	560	112
	Amounts written off (uncollectable)	(200)	(66)
	Impairment loss	72	514
	Balance 31 December	**432**	**560**

IFRS 7.20(e)

An analysis of unimpaired trade receivables that are past due is given in note 32.2.

IFRS 7.36(d)

The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is CU Nil (2010 and 2009: Nil).

17.1 Construction contracts

IAS 11.39(a) Revenue of CU 50,973,000 (2010: CU 49,186,000) relating to construction contracts for telecommunication systems has been included in revenue for the current reporting period.

IAS 11.43
IAS 11.44 The amounts recognised in the statement of financial position relate to construction contracts in progress at the end of the reporting period. The amounts are calculated as the net amounts of costs incurred plus recognised profits, less recognised losses and progress billings. The carrying amounts of assets and liabilities are analysed as follows:

		2011 CU'000	2010 CU'000	2009 CU'000
IAS 11.40(a)	Aggregate amount of costs incurred and recognised profits and losses for all contracts in progress	3,421	3,121	3,345
	Less, progress billings	(2,335)	(2,354)	(2,675)
		1,086	**767**	**670**
	Recognised as:			
IAS 11.42(a)	**Due from customers for construction contract work, recognised in trade and other receivables**	**1,374**	**974**	**670**
IAS 11.42(b)	**Due to customers for construction contract work, recognised in other liabilities**	**288**	**207**	**–**

IAS 11.40(b) Advances paid from customers for construction contracts related to work not yet performed have been recognised in other liabilities (see note 23) and amount to CU 225,000 (2010: CU 220,000; 2009: 220,000).

IAS 11.40(c) Retentions on construction contracts amount to CU 10,000 (2010 and 2009: Nil) included within trade and other receivables. Retentions will be received upon acceptance by the customer of the work performed.

18. Cash and cash equivalents

IAS 7.45 Cash and cash equivalents consist of the following:

	2011 CU'000	2010 CU'000	2009 CU'000
Cash at bank and in hand:			
– CU	24,000	7,313	7,026
– GBP	2,057	627	550
– USD	1,371	418	430
Short-term deposits (CU)	6,857	2,090	2,001
	34,285	**10,448**	**10,007**

IAS 7.48
IAS 10.19 Following the acquisition of Goodtech, some bank deposits of the acquiree were temporarily not available for general use by the Group because of legal restrictions. The amount of cash and cash equivalents inaccessible to the Group as at 31 December 2011 amounts to CU 500,000 (2010 and 2009: Nil). All the restrictions on bank deposits were removed by the time of the approval of the consolidated financial statements on 8 March 2012.

19. Equity

19.1 Share capital

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

		2011	2010
IAS 1.79(a)(iv)	Shares issued and fully paid:		
	Beginning of the year	12,000,000	12,000,000
	Issued under share-based payments	270,000	–
	Share issue	1,500,000	–
IAS 1.79(a)(ii)	Shares issued and fully paid	**13,770,000**	**12,000,000**
	Shares authorised for share based payments	600,000	600,000
IAS 1.79(a)(i)	**Total shares authorised at 31 December**	**14,370,000**	**12,600,000**

Additional shares were issued during 2011 relating to share-based payments (see note 20.2 for details on the Group's share-based employee remuneration programmes).

The Group issued 1,500,000 shares on 30 October 2011, corresponding to 12.5% of total shares issued. Each share has the same right to receive dividend and the repayment of capital and represents one vote at the shareholders' meeting of First International.

IAS 1.79(a)(vii) The authorised shares that have not yet been issued have been authorised solely for use in the Group's share-based remuneration programmes (see note 20.2).

19.2 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 70,000 (2010: Nil).

Share premium has also been recorded in respect of the issue of share capital related to employee share-based payment (see note 20.2).

19.3 Other components of equity

IAS 1.106(d)(ii)
IAS 1.106A

The details of other components of equity are as follows:

		Translation reserve CU'000	Revaluation reserve CU'000	AFS financial assets CU'000	Cash-flow hedges CU'000	Total CU'000
IAS 1.106(d)(ii)						
IAS 1.106A	Balance at 1 January 2011	(246)	689	238	(160)	521
	Other comprehensive income for the year (all attributable to the parent):					
	Cash flow hedges					
IFRS 7.23(c)	– current year gains	–	–	–	367	367
IFRS 7.23(d)	– reclassification to profit or loss	–	–	–	260	260
IFRS 7.20(a)(ii)	AFS financial assets					
	– current year gains	–	–	113	–	113
	– reclassification to profit or loss	–	–	(50)	–	(50)
IAS 16.77(f)	Revaluation of land	–	303	–	–	303
IAS 21.52(b)	Exchange differences on translating foreign operations	(664)	–	–	–	(664)
IAS 1.82(h)	Equity accounted investments	–	–	–	5	5
IAS 1.82(h)	– reclassification to profit or loss	–	–	–	(3)	(3)
IAS 1.91(b)	Before tax	**(664)**	**303**	**63**	**629**	**331**
IAS 1.90	Tax benefit (expense)	176	(91)	–	–	85
	Net of tax	**(488)**	**212**	**63**	**629**	**416**
	Balance at 31 December 2011	**(734)**	**901**	**301**	**469**	**937**

		Translation reserve CU'000	Revaluation reserve CU'000	AFS financial assets CU'000	Cash-flow hedges CU'000	Total CU'000
IAS 1.106(d)(ii)						
IAS 1.106A	Balance at 1 January 2010	–	689	203	312	1,204
	Other comprehensive income for the year (all attributable to the parent):					
	Cash flow hedges					
IFRS 7.23(c)	– current year osses	–	–	–	(47)	(47)
IFRS 7.23(d)	– reclassification to profit or loss	–	–	–	(425)	(425)
IFRS 7.20(a)(ii)	AFS financial assets					
	– current year gains	–	–	35	–	35
IAS 21.52(b)	Exchange differences on translating foreign operations	(341)	–	–	–	(341)
IAS 1.91(b)	Before tax	**(341)**	**–**	**35**	**(472)**	**(778)**
IAS 1.90	Tax benefit	95	–	–	–	95
	Net of tax	**(246)**	**–**	**35**	**(472)**	**(683)**
	Balance at 31 December 2010	**(246)**	**689**	**238**	**(160)**	**521**

20. Employee remuneration

20.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

		2011 CU'000	2010 CU'000
	Wages, salaries	96,564	91,226
	Social security costs	11,229	10,608
IFRS 2.51(a)	Share-based payments	298	466
	Pensions – defined benefit plans	1,608	2,130
IAS 19.46	Pensions – defined contribution plans	4,491	4,243
		114,190	**108,673**

20.2 Share-based employee remuneration

As at 31 December 2011, 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 1.D2 All of the Group's share-based payment programmes vest after the date of transition. Therefore, the Group applies IFRS 2 Share-based Payment to all share-based payment programmes.

IFRS 2.45(a) The Star Programme is part of the remuneration package of the Group's senior management. Options under this programme will vest if certain conditions, as defined in the programme, are met. It is based on the performance of the Illustrative Corporation's shares compared to other companies in the Greatstocks Stock Exchange within a specified period. In addition, participants in this programme have to be employed until the end of the agreed vesting period. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 20-25% of the market price determined at grant date.

IFRS 2.45(a) The Stay Programme is part of the remuneration package of the Group's research and development and sales personnel. Options under this programme will vest if the participant remains employed for the agreed vesting period. The maximum term of the options granted under the Stay Programme ends on 31 January 2012. 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 (CU)	Number of shares	Weighted average exercise price (CU)
Outstanding at 1 January 2010	300,000	6.24	95,250	5.81
Granted	–	–	–	–
Forfeited	(513)	6.24	(1,012)	5.81
Exercised	–	–	–	–
Outstanding at 31 December 2010	**299,487**	**6.24**	**94,238**	**5.81**
Granted	100,000	7.81	–	–
Forfeited	(312)	6.24	(3,489)	5.81
Exercised	(270,000)	6.24	–	–
Outstanding at 31 December 2011	**129,175**	**7.45**	**90,749**	**5.81**
Exercisable at 31 December 2010	–	–	–	–
Exercisable at 31 December 2011	29,175	6.24	–	–

IFRS 2.45(c) The weighted average share price at the date of exercise was CU 11.19 (no options were exercised in 2010).

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:

		Star Programme		Stay Programme
IFRS 2.47	Grant date	1 Jan 2008	1 Feb 2011	5 Jan 2007
	Vesting period ends	31 Dec 2010	31 Jan 2014	31 Jan 2012
	Share price at date of grant (CU)	8.00	10.01	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 at grant date (CU)	4.00	6.70	5.30
	Exercise price at date of grant (CU)	6.24	7.81	5.81
	Exercisable from / to	1 Jan 2011/ 31 Dec 2012	1 Feb 2014/ 31 Dec 2016	1 Feb 2012/ 4 Jan 2014
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 Company'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 In total, CU 298,000 (2010: CU 466,000) 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.

20.3 Pensions and other employee obligations

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

	2011 CU'000	2010 CU'000	2009 CU'000
Non-current:			
Defined benefit plans	**9,168**	**8,756**	**8,186**
Current:			
Defined benefit plans	1,246	1,193	1,056
Other short term employee obligations	221	303	280
	1,467	**1,496**	**1,336**

IAS 1.69 The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2012. Other short-term employee obligations arise mainly from accrued holiday entitlement at the reporting date and various pension payments. As none of the employees are eligible for early settlement of pension arrangements, the remaining part of pension obligations for defined benefit plans is considered non-current.

Guidance note: Pensions and other employee obligations
In the statement of financial position, the current and non-current portion of the defined benefit obligation are presented separately to comply with IAS 1.60. However, paragraph 118 of IAS 19 Employee Benefits does not specify whether this disaggregation is needed. Therefore, an entity is also allowed to present the obligation as non-current in its entirety.

Defined benefit plan

IAS 19.120A(b) The Group has set up a partly funded pension scheme for mid- to senior management that was available to certain senior workers after completing five years' service. According to the plan, a certain percentage of the current salary is converted into a pension component each year. Pensions under this scheme are paid out when a beneficiary has reached the age of 65.

The reconciliation of the Group's defined benefit obligations (DBO) and plan assets to the amounts presented on the statement of financial position for each of the reporting periods are presented below:

		2011 CU'000	2010 CU'000	2009 CU'000
IAS 19.120A(f)	Defined benefit obligation	47,898	43,434	37,913
	Fair value of plan assets	(36,012)	(31,345)	(28,671)
IAS 19.120A(f)(i)	Net actuarial gain (loss) not recognised	(872)	(1,240)	–
IAS 19.120A(f)(ii)	Past service cost not yet recognised	(600)	(900)	–
		10,414	**9,949**	**9,242**
	Classified as:			
	Non-current liability	**9,168**	**8,756**	**8,186**
	Current liability	**1,246**	**1,193**	**1,056**

Defined benefit obligation

The details of the Group's DBO are as follows:

		2011 CU'000	2010 CU'000
IAS 19.120A(c)	Defined benefit obligation 1 January	43,434	37,913
IAS 19.120A(c)(i)	Current service cost	1,308	1,530
IAS 19.120A(c)(ii)	Interest cost	2,488	2,267
IAS 19.120A(c)(iii)	Contributions by plan participants	658	650
IAS 19.120A(c)(iv)	Actuarial losses	1,261	761
IAS 19.120A(c)(vi)	Benefits paid	(1,251)	(1,187)
IAS 19.120A(c)(vii)	Past service costs	–	1,500
	Defined benefit obligation 31 December	**47,898**	**43,434**
IAS 19.120A(d)	Thereof		
	Unfunded	–	–
	Partly or wholly funded	47,898	43,434

The DBO was determined using the following actuarial assumptions:

		2011	2010	2009
IAS 19.120A(n)(i)	Discount rate	5.3%	5.5%	5.4%
IAS 19.120A(n)(ii)	Expected rate of return on plan assets	7.2%	7.4%	7.3%
IAS 19.120A(n)(iv)	Expected rate of salary increases	4.3%	4.2%	4.3%
IAS 19.120A(n)(v)	Medical cost trend rates	4.4%	4.0%	4.2%
IAS 19.120A(n)(vi)	Average life expectancies:			
	Male, 65 years of age at reporting date	82.5	82.5	82.5
	Female, 65 years of age at reporting date	84.5	84.5	84.5
	Male, 45 years of age at reporting date	84.5	84.5	84.5
	Female, 45 years of age at reporting date	87.5	87.5	87.5

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

IAS 19.120A(o) The estimate of the DBO is particularly sensitive to medical cost trends. If the medical cost rate assumed in the actuarial valuation had varied by +/-1 percent, this would have altered the Group's defined benefit schemes at follows:

	2011 CU'000		2010 CU'000		2009 CU'000	
	+1%	-1%	+1%	-1%	+1%	-1%
Aggregate of current service and interest cost	684	(627)	746	(681)	709	(647)
Defined benefit obligation for medical costs	8,622	(7,722)	7,818	(7,018)	7,427	(6,667)

Plan assets

The reconciliation of the balance of the assets held for the Group's defined benefit plan is presented below:

		2011 CU'000	2010 CU'000
IAS 19.120A(e)	Fair value of plan assets 1 January	31,345	28,671
IAS 19.120A(e)(i)	Expected returns on plan assets	2,445	2,417
IAS 19.120A(e)(ii)	Actuarial gains / (losses)	1,629	(479)
IAS 19.120A(e)(iv)	Contributions by the Group	1,186	1,273
IAS 19.120A(e)(v)	Contributions by beneficiaries	658	650
IAS 19.120A(e)(vi)	Benefits paid	(1,251)	(1,187)
	Fair value of plan assets 31 December	**36,012**	**31,345**

IAS 19.120A(k) Plan assets do not comprise any of the Group's own financial instruments or any assets used by Group companies. Plan assets can be broken down into the following major categories of investments:

		2011	2010	2009
IAS 19.120A(j)	Real estate funds	27%	27%	26%
	Equity investment funds	50%	51%	54%
	Money market funds	1%	1%	1%
	Other debt instruments	17%	18%	16%
	Liquid funds	5%	3%	3%
	Total plan assets	**100%**	**100%**	**100%**

Defined benefit plan expenses

Expenses related to the Group's defined benefit plans are as follows:

		2011 CU'000	2010 CU'000
	Employee benefits expense:		
IAS 19.120A(g)(i)	Current service cost	1,308	1,530
IAS 19.120A(g)(vi)	Past service costs	300	600
		1,608	**2,130**
IAS 19.120A(g)(ii)	Interest costs	2,488	2,267
IAS 19.120A(g)(iii)	Expected returns on plan assets	(2,445)	(2,417)
	Total expenses recognised in profit or loss	**1,651**	**1,980**

IAS 19.120A(g) Interest costs have been included in finance costs (see note 24).

IAS 19.120A(h) Return on plan assets is included in other financial items (see note 26). All other expenses summarised above were included within employee benefits expense. The Group recognises all actuarial gains and losses in accordance with the corridor approach (see note 3.21). Actuarial gains and losses arising in the year were within the corridor and have therefore not been recognised in profit or loss.

IAS 19.120A(l) also (m) Expected returns on plan assets are based on a weighted average of expected returns of the various assets in the plan, and include an analysis of historical returns and predictions about future returns. Expected returns on plan assets are estimated by independent pension scheme appraisals undertaken by external valuers in close co-ordination with each fund's treasury board. In 2011, the actual return on plan assets was CU 2,900,000 (2010: CU 1,900,000).

Other defined benefit plan information

IAS 19.120A(q) Based on historical data, the Group expects contributions in the range of CU 2,200,000 to CU 2,500,000 to be paid for 2012.

The development of the Group's defined benefit is summarised as follows (amounts before the date of transition are not shown as the Group applies the exemption in IFRS 1.D11, see note 34.1):

		2011 CU'000	2010 CU'000	2009 CU'000
IAS 19.120A(p)(i)	Defined benefit obligation	47,898	43,434	37,913
IAS 19.120A(p)(i)	Fair value of plan assets	36,012	31,345	28,671
IAS 19.120A(p)(i)	Plan deficit	(11,886)	(12,089)	(9,242)
	Experience adjustments:			
IAS 19.120A(p)(ii)	Plan assets	1,733	226	
IAS 19.120A(p)(ii)	Plan liabilities	1,860	915	

21. Provisions

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

		Restructuring CU'000	Other CU'000	Total CU'000
IAS 37.84(a)	Carrying amount 1 January 2011	2,110	1,480	3,590
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 2011**	**724**	**736**	**1,460**

Provisions recognised at acquisition date in a business combination are included in additions (see note 5.1).

IAS 37.85(a)
IAS 37.85(b)
IAS 37.85(c)
IAS 1.60
The provision for restructuring relates to the Phoenix programme, which was initiated in late 2009 and carried out predominantly in 2010 and 2011. The Group's management expects to settle the remaining termination remuneration for former employees and legal fees relating to the restructuring programme in 2012. The Group is not eligible for any reimbursement by third parties in this regard.

IAS 1.125(a)
IAS 1.125(b)
The restructuring provision as at 31 December 2011 was reduced due to the outcome of several lawsuits brought against the Group during 2011 by former employees. Out of court settlements based on the outcome of earlier settlements are expected for most of the remaining claims.

IAS 37.85(a)
IAS 37.85(b)
Other provisions relate to various legal and other claims by customers, such as for example warranties for which customers are covered for the cost of repairs.

IAS 1.61
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 the amounts that will eventually be paid in settlement after more than 12 months from the reporting date. Therefore, the amount is classified as current.

IAS 1.125
IAS 37.92
The majority of the other provisions recognised at 31 December 2010 related to claims initiated in 2010 that were settled during 2011. Management, on the advice of counsel, does not expect the outcome of any of the remaining cases will give rise to any significant loss beyond the amounts recognised at 31 December 2011. 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.

22. Trade and other payables

Trade and other payables consist of the following:

	2011 CU'000	2010 CU'000	2009 CU'000
Current			
Trade payables	8,083	6,702	6,981
Short-term bank overdrafts	654	78	123
Finance lease liabilities	512	506	598
	9,249	**7,286**	**7,702**
Non-current			
Finance lease liabilities	4,096	4,608	5,002
	13,345	**11,894**	**12,704**

IFRS 7.25
IFRS 7.27(a)
IFRS 7.27(b)
IFRS 7.29

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

The fair value of the Group's finance lease liabilities has been estimated at CU 4,608,000 (2010: CU 5,114,000; 2009: CU 5,600,000). This amount reflects present value and takes into account interest rates available on secured bank borrowings on similar terms. See note 12.1 for further information.

23. Other liabilities

Other liabilities consist of the following:

	2011 CU'000	2010 CU'000	2009 CU'000
Due to customers for construction contract work	288	207	–
Advances received for construction contract work	225	220	220
Deferred service income	2,123	2,291	2,512
Other	22	657	–
Deferred gain	100	100	100
Other liabilities – current	**2,758**	**3,475**	**2,832**
Contingent consideration for the acquisition of Goodtech	620	–	–
Deferred gain	1,400	1,500	1,600
Other liabilities – non-current	**2,020**	**1,500**	**1,600**

The deferred gain relates to a sale and leaseback of an office and production building in 2003. The excess of proceeds received over fair value was deferred and is being amortised over the lease term of 15 years. In 2011, deferred income of CU 100,000 (2010: CU 100,000) was recognised in profit or loss relating to this transaction. The subsequent leasing agreement is treated as an operating lease (see note 12.2). The non-current part of the deferred gain will be amortised between 2013 and the end of the lease term.

IAS 1.69
IAS 1.61

All amounts recognised relating to deferred service income are considered current as the timing of service commitments is not at the discretion of the Group. Assuming an average remaining term of service on service contracts at 31 December 2011 of 32 months (2010: 38 months, 2009: 39 months) and constant service activity over the remaining term, the Group expects to amortise CU 796,000 of deferred service income during 2012 (2011: CU 723,000; 2010: CU 772,000), and CU1,327,000 after that time (2011: CU1,568,000; 2010: CU1,781,000).

The amounts recognised in respect of construction contracts will generally be utilised within the next reporting period (see note 17.1).

24. Finance costs

Finance costs for the reporting periods consist of the following:

		2011 CU'000	2010 CU'000
IFRS 7.20(b)	Interest expenses for borrowings at amortised cost:		
	– Subordinated shareholder loan	200	200
	– Other borrowings at amortised cost	595	555
		795	**755**
	Interest expenses for finance lease arrangements	220	230
IFRS 7.20(b)	Total interest expenses for financial liabilities not at FVTPL	**1,015**	**985**
IAS 23.26(a)	Less: interest expenses capitalised into intangible assets	(80)	(78)
		935	**907**
IAS 19.120A (g)(ii)	Defined benefit obligation interest expenses	2,488	2,267
	Unwinding of discount relating to contingent consideration liability	20	–
IFRS 7.20(a)(i)	Loss on foreign currency financial liabilities designated at FVTPL	30	70
IFRS 7.20(e)	Impairment of investment in XY Ltd (AFS)	–	350
		3,473	**3,594**

IAS 23.26(b) Interest expense capitalised into intangible assets were capitalised at a rate of 4.4% per annum (2009: 4.5%).

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

IFRS 7.20(e) An impairment loss was recognised in 2010 for the investment in XY Ltd, which is carried at cost less impairment charges as its fair value cannot be measured reliably (see note 14.3).

25. Finance income

Finance income for the reporting periods consists of the following:

		2011 CU'000	2010 CU'000
	Interest income from cash and cash equivalents	583	266
IFRS 7.20(b)	Interest income on financial assets carried at amortised cost and AFS financial assets	169	181
IFRS 7.20(b)	Total interest income for financial assets not at FVTPL	**752**	**447**
IAS 18.35(b)(v)	Dividend income from XY Ltd (AFS)	40	–
IAS 18.35(b)(v)	Dividend income from AFS listed securities	22	21
IFRS 7.20(a)(i)	Fair value gains on forward exchange contracts held for trading	130	325
IFRS 7.20(a)(ii)	Gains on AFS assets reclassified from other comprehensive income	50	–
		994	**793**

26. Other financial items

Other financial items consist of the following:

		2011 CU'000	2010 CU'000
IFRS 7.20(a)(i)	Gain from financial assets classified as held for trading (FVTPL)	6	18
IAS 21.52(a), IFRS 7.20(a)(iv)	Gain from exchange differences on loans and receivables	937	1,164
	Return on retirement benefit plan assets	2,445	2,417
		3,388	**3,599**

27. Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of First International at 30% (2010: 30%) and the reported tax expense in profit or loss are as follows:

IAS 12.81(c)(i)		2011 CU'000	2010 CU'000
	Profit before tax	22,588	19,120
IAS 12.85	Domestic tax rate for First International	30%	30%
	Expected tax expense	**6,776**	**5,736**
IAS 12.84	Adjustment for tax-rate differences in foreign jurisdictions	16	1
IAS 12.84	Adjustment for tax-exempt income:		
	– Relating to equity accounted investments	(18)	(4)
	– Other tax-exempt income	(18)	(6)
IAS 12.84	Adjustment for non-deductible expenses:		
	– Relating to goodwill impairment	240	57
	– Other non-deductible expenses	137	148
	Actual tax expense	**7,133**	**5,932**

IAS 12.79	Tax expense comprises:		
IAS 12.80			
IAS 12.80(a)	Current tax expense	5,832	4,940
	Deferred tax expense:		
IAS 12.80(c)	– Origination and reversal of temporary differences	1,226	767
IAS 12.80	– Utilisation of unused tax losses	75	225
	Tax expense	**7,133**	**5,932**
IAS 12.81(ab)	Deferred tax income, recognised directly in other comprehensive income	(85)	(95)

Note 15 provides information on deferred tax assets and liabilities. Note 19.3 provides information on deferred income tax recognised directly in each component of other comprehensive income.

Guidance note: Income tax expense
Examples of major components of tax expense are included in IAS 12.80.

28. Earnings per share and dividends

Earnings per share

IAS 33.70(a) Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company (First International) as the numerator, ie no adjustments to profit were necessary in 2010 or 2011.

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:	2011 CU'000	2010 CU'000
	Weighted average number of shares used in basic earnings per share	12,520	12,000
IAS 33.70(b)	Shares deemed to be issued for no consideration in respect of share-based payments	17	21
	Weighted average number of shares used in diluted earnings per share	**12,537**	**12,021**

Dividends

During 2011, First International paid dividends of CU 3,000,000 (2010: Nil) to its equity shareholders. This represents a payment of CU 0.25 per share (2010: Nil per share).

IAS 1.137(a)
IAS 12.81(i) Also during 2011, the directors proposed the payment of a dividend of CU 6,885,000 (CU 0.50 per share). As the distribution of dividends by First International requires approval at the shareholders' meeting, no liability in this respect is recognised in the 2011 consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the level of First International.

29. Cash flow adjustments and changes in working capital

IAS 7.20 The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

Adjustments	2011 CU'000	2010 CU'000
Depreciation, amortisation and impairment of non-financial assets	7,942	6,826
Foreign exchange gains	(937)	(1,164)
Interest and dividend income	(814)	(468)
Fair value gains on financial assets recognised in profit or loss	(186)	(343)
Cash flow hedges reclassified from equity	260	(425)
Interest expenses	955	907
Impairment of financial assets	72	864
Fair value loss on financial liabilities recognised in profit or loss	30	70
Gain on disposal of non-financial assets	(115)	–
Share-based payment expenses	298	466
Defined benefit plans interest expense	2,488	2,267
Current and past service costs	1,608	2,130
Return on plan assets	(2,445)	(2,417)
Result from equity accounted investments	(60)	(12)
Change in fair value of investment property	(310)	(175)
Acquisition costs included in investing activities	223	76
Other	(268)	(321)
Total adjustments	**8,741**	**8,281**

Net changes in working capital:	2011 CU'000	2010 CU'000
Change in inventories	7,823	5,573
Change in trade and other receivables	995	1,202
Change in trade and other payables	(4,178)	(5,749)
Change in other liabilities	(2,947)	–
Change in other employee obligations	(82)	23
Change in provisions	(3,450)	(2,044)
Change in construction contracts and related liabilities	(314)	(97)
Total changes in working capital	**(2,153)**	**(1,092)**

IAS 7.43 In 2011, the consideration transferred for the Group's acquisition of Goodtech (see note 5.1) included a contingent payment arrangement amounting to CU 600,000 as of the acquisition date. The initial recognition of this liability and the subsequent unwinding of the discount of CU 20,000 (2010: Nil) are non-cash transactions excluded from the statement of cash flows.

30. Related party transactions

The Group's related parties include its associates and joint venture, key management, post-employment benefit plans for the Group's employees and others as described below. In addition, Illustrative Corporation has a subordinated loan from its main shareholder, the LOM Investment Trust (see note 14.6 for information on terms and conditions), on which interest of CU 200,000 (2010: CU 200,000) is paid.

IAS 24.17(b)(i) Unless otherwise stated, none of the transactions incorporate special
IAS 24.17(b)(ii) terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

IAS 24.18(d) 30.1 Transactions with associates

IAS 24.17(a) In order to meet peak demands by its customers, the Group has some of
IAS 24.17(b) its consulting services carried out by professionals of its associate, Equipe. During 2011, Equipe provided services valued at CU 568,000 (2010: CU 590,000). The outstanding balance of CU 20,000 (2010: CU 22,000; 2009: CU 18,000) due to Equipe is included in trade payables.

IAS 24.18(e) 30.2 Transactions with joint ventures

IAS 24.17(a) During 2011, Halftime provided services valued at CU 10,000
IAS 24.17(b) (2010: CU 3,000). These amounts are recognised using the proportionate consolidation method. There is no outstanding balance as at 31 December 2011 (2010 and 2009: Nil).

IAS 24.18(f)

30.3 Transactions with key management personnel

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

		2011 CU'000	2010 CU'000
IAS 24.16(a)	Short-term employee benefits:		
	Salaries including bonuses	2,420	2,210
	Social security costs	70	34
	Company car allowance	220	190
		2,710	**2,434**
IAS 24.16(b)	Post-employment benefits:		
	Defined benefit pension plans	312	299
	Defined contribution pension plans	25	12
		337	**311**
IAS 24.16(d)	Termination benefits	100	–
IAS 24.16(e)	Share-based payments	103	175
	Total remuneration	**3,250**	**2,920**

IAS 24.17 During 2011, certain key management personnel exercised share options with total exercise price of CU 1,685,000 (2010: Nil) granted in the Group's Star Programme.

IAS 24.17(a) IAS 24.17(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 2011, the Group's key management received short term loans totalling CU 40,000 (2010: CU 38,000). The outstanding balance of CU 1,000 (2010 and 2009: CU 1,000) has been included in trade and other receivables.

During 2011, the Group used the legal services of one company director and the law firm over which he exercises significant influence. The amount billed related to this legal service amounted to CU 21,000 (2010: Nil), based on normal market rates and was fully paid as of the reporting date.

30.4 Transactions with the defined benefit plan

IAS 24.9(g) The defined benefit plan is a related party. The defined benefit plan does not hold shares in First International. The Group's only transaction with the defined benefit plan relate to contributions paid to the plan (see note 20.3).

31. Contingent liabilities

IAS 1.114(d)(i) IAS 37.86 Various warranty and legal claims were brought against the Group during the year. Unless recognised as a provision (see note 21), management considers these claims to be unjustified and the probability that they will require settlement at the Group's expense to be remote. This evaluation is consistent with external independent legal advice.

IAS 37.92 Further information on these contingencies is omitted so as not to seriously prejudice the Group's position in the related disputes.

32. Financial instrument risk

IAS 1.114(d)(ii) **Risk management objectives and policies**

IFRS 7.33 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 14.1. The main types of risks are market risk, credit risk and liquidity risk.

IFRS 7.IG15 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 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.

32.1 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.

IFRS 7.33(a) **Foreign currency sensitivity**

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 Pound Sterling (GBP). The Group also holds an investment in a USD bond. Further, the Group has a USD loan designated at fair value through profit or loss, which has been used to fund the purchase of investment property in the United States.

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

To mitigate the Group's exposure to foreign currency risk, non-CU cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk on the Group's USD loan used to fund the purchase of US investment property. The loan is designated at fair value through profit and loss to significantly reduce measurement inconsistencies between investment properties and the related loan, ie a foreign currency loss on the investment property is offset by a gain on the related loan. Therefore, the loan is not included in management's assessment of foreign currency exposure.

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

IFRS 7.34(a)
IFRS 7.34(c)

	Short-term exposure			Long-term exposure
	USD CU'000	GBP CU'000	Other CU'000	USD CU'000
31 December 2011				
Financial assets	4,497	3,599	308	1,363
Financial liabilities	727	1,697	–	–
Total exposure	**3,770**	**1,902**	**308**	**1,363**
31 December 2010				
Financial assets	2,889	1,793	233	1,442
Financial liabilities	603	1,407	–	–
Total exposure	**2,286**	**386**	**233**	**1,442**
31 December 2009				
Financial assets	2,503	1,488	188	1,499
Financial liabilities	628	1,466	–	–
Total exposure	**1,875**	**22**	**188**	**1,499**

IFRS 7.40(a) IFRS 7.40(b) IFRS 7.IG36 The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the USD/CU exchange rate and GBP/CU exchange rate 'all other things being equal'. It assumes a +/-10% change of the CU/USD exchange rate for the year ended at 31 December 2011 (2010 and 2009: 10%). A +/-5% change is considered for the CU/GBP exchange rate (2010 and 2009: 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% (2010 and 2009: 10%) and GBP by 5% (2010 and 2009: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	GBP	Total	USD	GBP	Total
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2011	(93)	(95)	(188)	(43)	(95)	(138)
31 December 2010	(49)	(19)	(68)	1	(19)	(18)
31 December 2009	(67)	(1)	(68)	(27)	(1)	(28)

If the CU had weakened against the USD by 10% (2010 and 2009: 10%) and GBP by 5% (2010 and 2009: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	GBP	Total	USD	GBP	Total
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2011	93	93	186	33	93	126
31 December 2010	49	15	64	9	15	24
31 December 2009	67	(2)	65	32	(2)	30

IFRS 7.42 Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

IFRS 7.33(a) **Interest rate sensitivity**

IFRS 7.33(b) 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 2011, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The Group's investments in bonds all pay fixed interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

IFRS 7.40(b) IFRS 7.IG36 The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/-1% (2010 and 2009: +/-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	
		CU'000	CU'000	CU'000	CU'000
		+1%	-1%	+1%	-1%
IFRS 7.40(a)	31 December 2011	39	(39)	29	(19)
	31 December 2010	32	(32)	23	(14)
	31 December 2009	37	(37)	22	(12)

IFRS 7.33(a) **Other price sensitivity**

The Group is exposed to other price risk in respect of its listed equity securities, the investment in XY Ltd and debentures (see note 14.3).

IFRS 7.40(a) IFRS 7.40(b) For the listed equity securities, an average volatility of 20% has been observed during 2011 (2010: 18%; 2009: 17%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by CU 85,000 (2010: CU 62,000; 2009: CU 57,000). The listed securities are classified as AFS, therefore no effect on profit or loss would have occurred.

IFRS 7.40(b) The Group's sensitivity to price risk in regards to its investment in XY Ltd cannot be reliably determined due to numerous uncertainties regarding the future development of this company (see note 14.3 for further information).

IFRS 7.33(b) The investments in listed equity securities and in XY Ltd are considered long-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Group's favour.

IFRS 7.40(a) IFRS 7.40(b) The average volatility of the listed debentures was 15% in 2011 (2010: 13%; 2009: 9%). If the market price had increased or decreased by this amount, other comprehensive income and equity would have increased/decreased by CU 15,000 (2010: CU 15,000; 2009: CU 9,000). As none of the debentures classified as AFS were sold during any of the periods under review, no effect on profit or loss would have occurred (unless any decline in fair value to below cost is considered to result from impairment of the asset).

32.2 Credit risk analysis

IFRS 7.33(a) IFRS 7.36(a) Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised below:

IFRS 7.34(a)

	2011 CU'000	2010 CU'000	2009 CU'000
Classes of financial assets – carrying amounts:			
Bonds	2,814	2,992	3,124
Listed debentures	97	112	90
Money market funds	655	649	631
Derivative financial instruments	582	212	490
Cash and cash equivalents	34,285	10,448	10,007
Trade and other receivables	30,945	23,441	18,873
	69,378	**37,854**	**33,215**

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

IFRS 7.36(c) The Group's management considers that all the above financial assets that are not impaired or past due for each of the 31 December reporting dates under review are of good credit quality.

IFRS 7.37(a) IFRS 7.IG28 Some of the unimpaired trade receivables are past due as at 31 December. Information on financial assets past due but not impaired are as follows:

	2011 CU'000	2010 CU'000	2009 CU'000
Not more than 3 months	671	602	367
More than 3 months but not more than 6 months	90	88	41
More than 6 months but not more than 1 year	55	15	2
More than one year	2	1	1
Total	**818**	**706**	**411**

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

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

IFRS 7.36(a) IFRS 7.36(c) IFRS 7.IG23(a) IFRS 7.20(e) No impairment loss has been recorded in relation to the bonds (HTM investments, see note 14.2) which have been graded AA by Standard & Poors and bonds are not past due. The carrying amounts disclosed above are the Group's maximum possible credit risk exposure in relation to these instruments.

32.3 Liquidity risk analysis

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

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

IFRS 7.39(c) IFRS 7.B11F IFRS 7.IG31(c) IFRS 7.IG31(d)

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 periods. 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 14) significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

As at 31 December 2011, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

IFRS 7.39(a) IFRS 7.B11

31 December 2011	Current within 6 months CU'000	Current 6 to 12 months CU'000	Non-current 1 to 5 years CU'000	Non-current later than 5 years CU'000
US-dollar loans	280	280	1,761	8,215
Other bank borrowings	4,565	–	–	–
Non-convertible bond	208	208	8,888	–
Finance lease obligations	364	364	1,415	3,539
Trade and other payables	8,737	–	–	–
Total	**14,154**	**852**	**12,064**	**11,754**

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

IFRS 7.39(a) IFRS 7.B11

31 December 2010	Current within 6 months CU'000	Current 6 to 12 months CU'000	Non-current 1 to 5 years CU'000	Non-current later than 5 years CU'000
US-dollar loans	289	289	1,781	8,508
Other bank borrowings	3,124	–	–	–
Non-convertible bond	208	208	9,303	–
Finance lease obligations	363	363	1,432	4,072
Trade and other payables	6,780	–	–	–
Total	**10,764**	**860**	**12,516**	**12,580**

IFRS 7.39(a) IFRS 7.B11	31 December 2009	Current within 6 months CU'000	Current 6 to 12 months CU'000	Non-current 1 to 5 years CU'000	Non-current later than 5 years CU'000
	US-dollar loans	304	304	1,861	8,638
	Other bank borrowings	3,543	–	–	–
	Non-convertible bond	208	208	9,718	–
	Finance lease obligations	414	414	1,429	4,531
	Trade and other payables	7,104	–	–	–
	Total	**11,573**	**926**	**13,008**	**13,169**

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 5,000,000 throughout all reporting periods is not included as this is only repayable upon liquidation of Illustrative Corporation. Annual interest payments amount to CU 200,000.

In assessing and managing liquidity risks of its derivative financial instruments, the Group considers both contractual inflows and outflows. As at 31 December 2011, the contractual cash flows of the Group's derivative financial assets and liabilities are as follows:

IFRS 7.39(b) IFRS 7.B11	31 December 2011	Current within 6 months CU'000	Current 6 to 12 months CU'000
	Gross-settled forward contracts		
	Cash outflow	(212)	(6,978)
	Cash inflow	300	7,509
	Total	**88**	**531**

IFRS 7.34(a) This compares to the contractual cash flows of the Group's derivative financial assets and liabilities in the previous reporting periods as follows:

IFRS 7.39(b) IFRS 7.B11	31 December 2010	Current within 6 months CU'000	Current 6 to 12 months CU'000
	Gross-settled forward contracts		
	Cash outflow	(190)	(7,100)
	Cash inflow	203	7,050
	Total	**13**	**(50)**

IFRS 7.39(b) IFRS 7.B11	31 December 2009	Current within 6 months CU'000	Current 6 to 12 months CU'000
	Gross-settled forward contracts		
	Cash outflow	(201)	(6,540)
	Cash inflow	202	7,060
	Total	**1**	**520**

Derivative financial instruments reflect forward exchange contracts (see note 14.5) that will be settled on a gross basis.

33. Capital management policies and procedures

IAS 1.134 The Group' s capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

IAS 1.135(a)(i) The Group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented on the face of the statement of financial position and cash flow hedges recognised in other comprehensive income.

IAS 1.135(a)(ii) The Group's goal in capital management is to maintain a capital-to-overall financing ratio of 1:6 to 1:4. This is in line with the Group's covenants resulting from the subordinated loan it has taken out from its main shareholder in 2008 (see note 14.6).

IAS 1.135(a)(iii) The Group sets the amount of capital in proportion to its overall financing structure, ie equity and financial liabilities other than its subordinated loan. 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.

Capital for the reporting periods under review is summarised as follows:

IAS 1.135(b)

	2011 CU'000	2010 CU'000	2009 CU'000
Total equity	85,714	54,180	41,209
Subordinated loan	5,000	5,000	5,000
Cash flow hedges	(469)	160	(312)
Cash and cash equivalents	(34,285)	(10,448)	(10,007)
Capital	**55,960**	**48,892**	**35,890**
Total equity	85,714	54,180	41,209
Borrowings	25,815	24,644	25,223
Overall financing	**111,529**	**78,824**	**66,432**
Capital-to-overall financing ratio	**0.50**	**0.62**	**0.54**

IAS 1.135(d) The Group has honoured its covenant obligations, including maintaining capital ratios, since the subordinated loan was taken out in 2008. The ratio-reduction during 2011 is primarily a result of financing the acquisition of Goodtech (see note 5.1).

34. First-time adoption of IFRS

IAS 1.114(b) The date of transition to IFRS is 1 January 2010. The Group applied IFRS 1 Fist-time Adoption of International Financial Reporting Standards (IFRS) in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in this section and are further explained in the notes that accompany the tables.

Guidance note: First-time adoption of IFRS
A brief discussion of IFRS 1's disclosure requirements and exemptions is provided in Appendix C.

34.1 First-time adoption exemptions applied

IFRS 1.18 Upon transition, IFRS 1 permits certain exemptions from full retrospective application of IFRS. The Group has applied the mandatory exceptions and certain optional exemptions, as set out below.

Mandatory exceptions adopted by the Group:

IFRS 1.B1(a) i. Financial assets and liabilities that had been de-recognised before the date of transition to IFRS under previous GAAP have not been recognised under IFRS.

IFRS 1.B1(b) ii. The Group has only applied hedge accounting in the opening statement of financial position where all the requirements in IAS 39 were met at the date of transition.

IFRS 1.14 iii. The Group has used estimates under IFRS that are consistent with those applied under previous GAAP (with adjustment for accounting policy differences) unless there is objective evidence those estimates were in error.

Optional exemptions applied by the Group:

IFRS 1.App. C i. The Group has elected not to apply IFRS 3 Business Combinations (IFRS 3) retrospectively to business combinations that occurred before the date of transition. See note 34.5a for an explanation of the effect of the exemption.

IFRS 1.D5 ii. The Group has elected to use fair value as deemed cost at the date of transition for some items of property, plant and equipment (see note 34.5c).

IFRS 1.D13 iii. The Group has deemed the cumulative translation differences for foreign operations at the date of transition to be zero. Adjustments to give effect to this are recorded against opening equity. After the date of transition, translation differences arising on translation of foreign operations are recognised in other comprehensive income and included in a separate translation reserve within equity (see note 3.5).

IFRS 1.D9
IFRS 1.D9A iv. The Group has elected to use facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease. No such assessment was done under previous GAAP.

IFRS 1.D19(a)
IFRS 1.D19(b) v. The Group has elected to designate some financial assets as AFS at the date of transition. The Group has also taken the exemption to designate some financial instruments FVTPL.

IFRS 1.D10
IFRS 1.D11 vi. The Group has elected to recognise all cumulative actuarial gains and losses for its defined benefit plans at the date of transition. After that date, the Group's accounting policy is to use the corridor approach and split actuarial gains and losses into an unrecognised and a recognised portion (see note 3.21). Further, the Group has elected to use the exemption not to disclose defined benefit plan surplus/deficit and experience adjustments before the date of transition (see note 20.3).

34.2 Reconciliation of equity

IFRS 1.24(a) Equity at the date of transition and at 31 December 2010 can be reconciled to the amounts reported under previous GAAP as follows:

		1 January 2010			31 December 2010		
		Previous GAAP	Effect of transition to IFRS	IFRSs	Previous GAAP	Effect of transition to IFRS	IFRSs
Assets	**Note 34.5**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**
Non-current							
Goodwill	a	1,234	–	1,234	3,187	274	3,461
Other intangible assets	b	9,164	1,500	10,664	12,563	1,278	13,841
Property, plant and equipment	c	18,381	2,625	21,006	21,210	2,415	23,625
Investments accounted for using the equity method	e	–	11	11	–	23	23
Investment property	d	11,000	1,102	12,102	11,000	1,277	12,277
Other long term financial assets	e	4,135	192	4,327	3,665	215	3,880
Deferred tax assets		520	–	520	225	–	225
Non-current assets		**44,434**	**5,430**	**49,864**	**51,850**	**5,482**	**57,332**
Current							
Inventories	f	18,471	200	18,671	18,267	300	18,567
Trade and other receivables		20,719	–	20,719	25,628	–	25,628
Derivative financial instruments		490	–	490	212	–	212
Other short term financial assets	g	560	71	631	560	89	649
Current tax assets		–	–	–	560	–	560
Cash and cash equivalents		10,007	–	10,007	10,448	–	10,448
Current assets		50,247	271	50,518	55,675	389	56,064
Total assets		**94,681**	**5,701**	**100,382**	**107,525**	**5,871**	**113,396**

	Note 34.5	1 January 2010 Previous GAAP CU'000	Effect of transition to IFRS CU'000	IFRSs CU'000	31 December 2010 Previous GAAP CU'000	Effect of transition to IFRS CU'000	IFRSs CU'000
Equity							
Share capital		12,000	–	12,000	12,000	–	12,000
Share premium		3,050	–	3,050	3,050	–	3,050
Other components of equity		312	892	1,204	(406)	927	521
Retained earnings		22,689	1,790	24,479	36,128	1,889	38,017
		38,051	2,682	40,733	50,772	2,816	53,588
Non-controlling interest		476	–	476	592	–	592
Total equity		**38,527**	**2,682**	**41,209**	**51,364**	**2,816**	**54,180**
Liabilities							
Non-current							
Pension and other employee obligations	h	7,186	1,000	8,186	7,656	1,100	8,756
Borrowings	j	21,355	50	21,405	21,295	(30)	21,265
Trade and other payables	k	4,492	510	5,002	4,190	418	4,608
Deferred tax liabilities	l	1,005	1,659	2,664	2,234	1,467	3,701
Other liabilities		1,600	–	1,600	1,500	–	1,500
Non-current liabilities		**35,638**	**3,219**	**38,857**	**36,875**	**2,955**	**39,830**
Current							
Provisions	i	4,700	(300)	4,400	3,590	–	3,590
Pension and other employee obligations		1,336	–	1,336	1,496	–	1,496
Borrowings		3,818	–	3,818	3,379	–	3,379
Trade and other payables	k	10,434	(2,732)	7,702	10,661	(3,375)	7,286
Current tax liabilities		228	–	228	–	–	–
Derivative financial instruments		—	–	—	160	–	160
Other liabilities	k	–	2,832	2,832	–	3,475	3,475
Current liabilities		20,516	(200)	20,316	19,286	100	19,386
Total liabilities		**56,154**	**3,019**	**59,173**	**56,161**	**3,055**	**59,216**
Total equity and liabilities		**94,681**	**5,701**	**100,382**	**107,525**	**5,871**	**113,396**

The total effect on retained earnings and equity is further analysed as follows:

	Note 34.5	1 January 2011 CU'000	31 December 2010 CU'000
Transition adjustments recorded in retained earnings:			
Net adjustments to goodwill	a	–	274
Net adjustment to other tangible assets	b	1,500	1,278
Net adjustments to property, plant and equipment	c	1,640	1,430
Recognition of finance lease liabilities	k	(610)	(518)
Capitalisation of fixed inventory production costs	f	200	300
Increase in deferred tax liabilities arising from transition adjustments and movements recognised in profit or loss	l	(1,659)	(1,467)
Deferred tax recognised in revaluation reserve	c	296	296
Reversal of restructuring provision	i	300	–
Revaluation of investment property	d	1,102	1,277
Net adjustment on pension and employee benefit obligations	h	(1,000)	(1,100)
Designation of borrowings at FVTPL	j	(50)	30
Revaluation of short term financial assets	g	71	89
Effect of transition to IFRS on retained earnings		**1,790**	**1,889**
Transition adjustments recorded in other comprehensive income:			
Designation of financial assets as AFS assets	e	203	238
Increase in revaluation reserve due to the revaluation of land	c	689	689
Effect of transition to IFRS on other comprehensive income		892	927
Total effect on equity		**2,682**	**2,816**

34.3 Reconciliation of total comprehensive income

IFRS 1.24(b) Total comprehensive income for the reporting period ended 31 December 2010 can be reconciled to the amounts reported under previous GAAP as follows:

	Note 34.5	Previous GAAP CU'000	Effect of transition to IFRS CU'000	IFRSs CU'000
Revenue		191,593	–	191,593
Other income		641	–	641
Changes in inventories	f	(5,673)	100	(5,573)
Costs of material	b	(40,816)	150	(40,666)
Employee benefits expense	h	(108,423)	(250)	(108,673)
Change in fair value of investment property	d	–	175	175
Depreciation, amortisation and impairment of non-financial assets	c	(6,366)	(460)	(6,826)
Other expenses	m	(12,389)	28	(12,361)
Operating profit		**18,567**	**(257)**	**18,310**
Share of profit from equity accounted investments		12	–	12
Finance costs	n	(3,740)	146	(3,594)
Finance income		793	–	793
Other financial items	g	3,581	18	3,599
Profit before tax		**19,213**	**(93)**	**19,120**
Tax expense, net	l	(6,124)	192	(5,932)
Profit for the year		**13,089**	**99**	**13,188**
Other comprehensive income:				
Items recognised in other comprehensive income under IFRS, net of tax		–	(683)	(683)
Total comprehensive income		**13,089**	**(584)**	**12,505**
Profit for the year attributable to:				
Non-controlling interest		116		116
Owners of the parent		12,973		13,072
		13,089		**13,188**

Under previous GAAP the Group did not report total comprehensive income. Exchange differences on translation of foreign operations and gains and losses on cash flow hedges were recognised directly in equity under previous GAAP.

Other items recognised in other comprehensive income under IFRS (revaluation of land, AFS financial assets and share of other comprehensive income of associates) did not arise under previous GAAP.

Total basic and diluted earnings per share in 2010 are each CU 0.01 higher under IFRS than previous GAAP. See note 28 for further information on earnings per share.

34.4 Presentation differences

IFRS 1.24(a) IFRS 1.25 Certain presentation differences between previous GAAP and IFRS have no impact on reported profit or total equity.

Some assets and liabilities have been reclassified into another line item under IFRS at the date of transition. A reclassification has been recorded for other liabilities (see note 34.5k) and for investments in associates (see note 34.5e), which is shown in the reconciliations.

Some line items are described differently (renamed) under IFRS compared to previous GAAP, although the assets and liabilities included in these line items are unaffected. These line items are as follows (with previous GAAP descriptions in brackets):

- Property, plant and equipment (Tangible Assets)
- Other long-term financial assets (Investments)
- Other liabilities, non-current (Deferred gain)
- Share premium (Additional paid-in capital)

IFRS 1.BC92 IG Example 11

34.5 Notes to the reconciliations

a. Goodwill and business combinations

Business combinations before 1 January 2010

IFRS 1.C4(g) IFRS 1.IG40 The Group has elected to not restate business combinations that occurred before the date of transition to IFRS. At 1 January 2010, the goodwill under previous GAAP relates to the consulting segment. Its carrying amount of goodwill has not been adjusted for intangible assets subsumed within goodwill or for intangible assets that do not qualify for recognition under IFRS. At that date, it was tested for impairment based on cash flow forecasts made at that date. No impairment was identified (see note 9 for further explanation). Therefore the carrying amount of goodwill under previous GAAP is recognised upon transition to IFRS.

See note 34.5i for the adjustment of a restructuring provision related to a past business combination.

Business combinations after 1 January 2010

Although there are significant differences in accounting for business combinations under previous GAAP and IFRS 3, the only difference relevant to the acquisition of Good Buy in 2010 (see note 5.2) relates to the treatment of acquisition costs. Under previous GAAP, these costs form part of goodwill but are expensed under IFRS 3.

Amortisation of goodwill

Goodwill is not amortised under IFRS. The amortisation charged in 2010 under previous GAAP is reversed, increasing the carrying value of goodwill and increasing profit in 2010.

Net transition adjustments

The transition adjustments to goodwill and to profit for 2010 are:

	1 January 2010 CU'000	31 December 2010 CU'000
Acquistion related costs charged to other expenses	–	(76)
Reversal of goodwill amortisation in depreciation, amortisation and impairment of non-financial assets	–	350
	–	**274**

b. Other intangible assets

Recognition and capitalisation of internally developed software

Previous GAAP did not permit recognition of internally generated intangible assets to the same extent as under IFRS. Software development costs previously recognised as an expense that meet the recognition criteria are now capitalised and amortised under IFRS.

Capitalisation of borrowing costs

Borrowing costs were expensed as incurred under previous GAAP. Under IFRS, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. This change in policy applies prospectively to qualifying software development projects commencing 1 January 2010.

Net transition adjustments

Other intangible assets are adjusted as follows:

	1 January 2010 CU'000	31 December 2010 CU'000
Capitalisation of costs incurred as of the transition date	1,500	1,500
Capitalisation of development costs incurred in 2010	–	300
Capitalisation of borrowing costs incurred in 2010	–	78
Amortisation of capitalised internally developed software	–	(600)
	1,500	**1,278**

The related adjustments to profit for 2010 are:

	Note	CU'000
Capitalisation of internally developed software costs:		
– costs of material		150
– employee benefit expense	h	150
Amortisation of internally developed software	c	(600)
Capitalisation of borrowing costs	n	78
Reduction in profit		**(222)**

IFRS 1.IG10 **c. Property, plant and equipment**

Revaluation of land

Land was measured at cost under previous GAAP. Under IFRS, land is measured using the revaluation model. At the date of transition, a valuation was carried out by independent valuers. The recognition of this revaluation increased the carrying amount of land by CU 985,000, created a revaluation reserve in equity of CU 689,000 net of tax effects, and increased deferred tax liabilities by CU 296,000. There was no material change in these amounts at 31 December 2010.

Depreciation rates of property, plant and equipment

Under previous GAAP, depreciation was based on tax amortisation rates, which accelerated the charge compared to IFRS, under which depreciation reflects the useful life of the asset and its residual value.

IFRS 1.30 Election to use fair value as deemed cost

At the date of transition the Group elected to measure some buildings within property, plant and equipment at fair value as deemed cost. The aggregate of the fair values used is CU 3,000,000. Depreciation under IFRS is based on this deemed cost.

Capitalisation of finance leases

Under previous GAAP certain leases of IT equipment were classified as operating leases but are classified as finance leases under IFRS. This increased the carrying value of property, plant and equipment and trade and other payables at the date of transition. In 2010, it reduced rental expense and increased finance costs (see notes 34.5k, m and n).

Net transition adjustments

Property, plant and equipment adjustments are:

	1 January 2010 CU'000	31 December 2010 CU'000
Change in depreciation rate	250	270
Increase due to use of fair value as deemed cost for certain properties	800	680
Capitalisation of finance leases	590	480
Effect of adjustments on retained earnings	**1,640**	**1,430**
Revaluation of land (before tax), credited to other comprehensive income	985	985
	2,625	**2,415**

The adjustments to profit for 2010 related to other intangible assets and property, plant and equipment are:

	Note	CU'000
Reversal of the amortisation of goodwill	a	350
Increase in amortisation of other intangible assets	b	(600)
Decrease in depreciation due to change in rate	c	20
Increase in depreciation based on deemed cost	c	(120)
Depreciation of leased IT equipment	c	(110)
Net increase in depreciation, amortisation and impairment of non-financial assets		**(460)**
Reversal of IT equipment lease rentals	m	104
Finance cost for leased IT equipment	n	(12)
Net decrease in profit		**(368)**

d. Investment property

Under previous GAAP investment property was measured at cost. Under IFRS, the Group has elected to measure investment property at fair value. The effect is to increase the carrying amount by CU 1,102,000 at the date of transition (31 December 2010: CU 1,277,000) and to increase profit for 2010 by CU 175,000 through change in fair value of investment property.

e. Other long-term financial assets

Designation of long-term financial assets

The Group has elected to designate securities, debentures and the unquoted investment in XY Ltd as AFS financial assets under IFRS at the date of transition (see note 34.7). Under previous GAAP, these financial assets were carried at cost less impairment charges. They are now measured at fair value, with the exception of the investment in XY Ltd, which is measured at cost, as the fair value cannot be reliably measured (see note 14.3). The resulting increase in the carrying value created an AFS financial asset reserve of CU 203,000 in equity at the transition date.

Presentation of investments in associates

Investments in associates were presented within other long-term financial assets under previous GAAP. Under IFRS these are presented as a separate line item in the statement of financial position. Previous GAAP also required use of the equity method for these investments.

Net transition adjustment

The transition adjustments to other long-term financial assets are:

	1 January 2010 CU'000	31 December 2010 CU'000
Revaluation of certain financial assets, recognised in other comprehensive income	203	238
Investments in associates, presented separately	(11)	(23)
	192	**215**

f. Inventories

Inventories include certain fixed production costs under IFRS that were expensed immediately under previous GAAP. The effect is to increase the carrying amount of inventories by CU 200,000 at the date of transition and by CU 300,000 at 31 December 2010. This increased the 2010 profit or loss by reducing changes in inventories by CU 100,000.

g. Other short-term financial assets

Money market funds are considered held for trading under IFRS and are carried at fair value through profit or loss. Under previous GAAP these financial assets were carried at cost less impairment charges. The effect is to increase the carrying amount by CU 71,000 at the date of transition and by CU 89,000 at 31 December 2010, increasing the 2010 income from other financial items by CU 18,000.

h. Pension and other employee obligations

Recognition of actuarial gains and losses

The Group uses the corridor approach under IFRS. At the date of transition the Group has elected to apply the exemption in IFRS 1, and recognise all actuarial gains and losses in the statement of financial position, ie the full net pension liability is recognised at 1 January 2010.

Recognition of pension liability related to other benefit plans

Under previous GAAP, some of the Group's benefit plans were accounted for on a cash basis. Certain of these plans that meet the IFRS definition of defined benefit plans have been restated accordingly.

Net transition adjustments

The non-current pension and other employee obligations are increased as follows:

	1 January 2010 CU'000	31 December 2010 CU'000
Recognition of actuarial gains and losses	500	500
Recognition of other benefit plans	500	600
	1,000	**1,100**

The employee benefits expense in 2010 is increased as follows:

	Note	CU'000
Expenses capitalised as other intangible assets	b	(150)
Increase in other benefit plan liability	h	100
Reversal of restructuring provision	i	300
Net decrease in profit		**250**

i. Provisions

A restructuring provision related to a past business combination was recognised under previous GAAP. This did not qualify as an identifiable liability at the transition date under IFRS. Consequently, the balance of provisions account is reduced at the date of transition by CU 300,000. The related expenditure was incurred during 2010 and increases employee benefits expenses by CU 300,000 (see note h above).

j. Borrowings

The Group has elected to designate a loan at FVTPL under IFRS at the date of transition (see note 14.6). Under previous GAAP this loan was measured at amortised cost. The effect is to increase non-current borrowings at the date of transition by CU 50,000 (31 December 2010: reduce by CU 30,000). The net effect on profit or loss for 2010 is to reduce finance costs by CU 70,000 (see note 34.5n).

k. Trade and other payables and other liabilities

Capitalisation of finance leases

As explained in note 34.5c, certain leases of IT equipment have been reclassified from operating leases to finance leases under IFRS. The outstanding lease obligations are now included in trade and other payables.

Presentation of other liabilities

Under previous GAAP, the Group did not present the line-item other liabilities. Current amounts were included within trade and other payables under previous GAAP. Non-current amounts were previously named deferred gain (see note 34.4). No adjustments to the carrying amounts were required on transition.

Net transition adjustments

The impact on trade and other payables is:

	1 January 2010 CU'000	31 December 2010 CU'000
Trade and other payables – current		
Recognition of finance lease liabilitites	100	100
Reclassification of items into other liabilities	(2,832)	(3,475)
	(2,732)	**(3,375)**
Trade and other payables – non-current		
Recognition of finance lease liabilitites	510	418

l. Deferred tax

The following table shows the effect of transition adjustments on deferred tax liabilities and the movement in deferred tax recognised in profit or loss:

	1 January 2010 CU'000	31 December 2010 CU'000
Other intangible assets	450	360
Property, plant and equipment	788	724
Investment property	331	383
Provisions	90	–
Effect on deferred tax liabilities	**1,659**	**1,467**
Movement in deferred tax recognised in profit or loss in 2010		**(192)**

m. Other expenses

The adjustments to other expenses in 2010 are summarised as follows:

	Note	CU'000
Acquisition related costs charged to expense	a	76
Reduced lease expenses due to the capitalisation of finance leases	c	(104)
		(28)

n. Finance costs

The adjustments to finance costs in 2010 are summarised as follows:

	Note	CU'000
Interest expense related to finance leases	c	12
Capitalisation of borrowing costs	b	(78)
Elimination of interest expense on borrowings designated at fair value	j	(150)
Change in fair value of borrowings	j	70
		(146)

34.6 Statement of cash flows

IFRS 1.25 Under previous GAAP taxes paid were classified as operating cash flows. Under IFRS tax payments are allocated to investing and financing activities where they can be identified with transactions within those categories. This resulted in CU 140,000 of tax paid being reclassified to investing activities in 2010. There are no other material adjustments to the cash flow statement.

34.7 Designation of financial instruments

IFRS 1.29-29A The Group has elected to designate certain financial assets and financial liabilities at FVTPL or AFS at the date of transition as permitted by IFRS 1. The following tables show the fair values at the date of designation and their classification and measurement under previous GAAP.

	Fair value 1 January 2010 CU'000	Carrying amount under previous GAAP 2010 CU'000
Financial assets designated as AFS		
Cost less impairment under previous GAAP		
– Securities and debentures	420	217
– Other investments (*)	–	783
Financial liabilities designated at FVTPL		
Amortised cost under previous GAAP		
– Borrowings	8,380	8,330

(*) The fair value cannot be reliably measured (see note 14.3)

The Group has not designated any financial assets at FVTPL at the date of transition (money market funds are considered held for trading).

34.8 Impairment losses recognised at the date of transition

IFRS 1.24(c) The Group has applied IAS 36 in determining whether any impairment losses arose at the date of transition to IFRS. No impairment losses were identified.

The estimates used for this analysis were consistent with the estimates used under previous GAAP at the same date, adjusted for accounting policy differences where necessary.

35. Post-reporting date events

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

36. Authorisation of financial statements

IAS 10.17 The consolidated financial statements for the year ended 31 December 2011 (including comparatives) were approved by the board of directors on 8 March 2012.

C Executive
(Board member 1)

C Finance
(Board member 2)

Appendices

Appendix A: Organising the income statement by function of expenses

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

The NOE format is illustrated in the main body of the example financial statements. The FOE format is illustrated in this appendix. This appendix presents a separate income statement, ie other comprehensive income is presented in a separate statement of comprehensive income (see the main body of the example financial statements).

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

The FOE or NOE formats do not affect the presentation requirements for other comprehensive income. Only the income statement is affected.

IAS 1.104 Presenting the income statement in the FOE format requires additional considerations:

- additional disclosures on the nature of certain expenses are required, including employee benefit expenses and depreciation, amortisation and impairment of non-financial assets
- the disclosures of the specific line items in the income statement where certain transactions or amounts are recognised (for example, see note 9, note 10 and note 21 of the example financial statements) should reflect the actual line items presented in the FOE income statement.

Consolidated income statement for the year ended 31 December

		Notes	2011	2010
IAS 1.51(c) IAS 1.51(d-e)			CU'000	CU'000
IAS 1.82(a)	**Revenue**	8	**206,193**	191,593
IAS 1.85	Costs of sales		**(111,523)**	(103,988)
IAS 1.85	**Gross profit**		**94,670**	**87,605**
IAS 1.85	Other income		**427**	641
IAS 1.85	Distribution costs		**(12,213)**	(11,550)
IAS 1.85	Administrative expenses		**(48,853)**	(46,200)
IAS 1.85	Research and development costs		**(1,690)**	(1,015)
IAS 1.85	Change in fair value of investments property	13	**310**	175
IAS 1.85	Other expenses		**(11,032)**	(11,346)
	Operating profit		**21,619**	**18,310**
IAS 1.82(c)	Share of profit from equity accounted investments	7	**60**	12
IAS 1.82(b)	Finance costs	24	**(3,473)**	(3,594)
IAS 1.85	Finance income	25	**994**	793
IAS 1.85	Other financial items	26	**3,388**	3,599
	Profit before tax		**22,588**	**19,120**
IAS 1.82(d)	Tax expense	27	**(7,133)**	(5,932)
IAS 1.82(f)	**Profit for the year**		**15,455**	**13,188**
	Profit for the year attributable to:			
IAS 1.83(a)(i)	Non-controlling interest		**121**	116
IAS 1.83(a)(ii)	Owners of the parent		**15,334**	13,072
			15,455	**13,188**
	Earnings per share	28	**CU**	**CU**
IAS 33.66/67A	Basic earnings per share		**1.22**	1.09
IAS 33.66/67A	Diluted earnings per share		**1.22**	1.09

Appendix B: Statement of comprehensive income presented in single statement

The main body in these example financial statements presents the statement of comprehensive income in **two** statements (see guidance note to the consolidated income statement). In this appendix, the alternative of presenting a **single** statement of comprehensive income is presented (using the NOE format).

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

In general, the notes to the financial statements will need to be tailored so that they refer to the statement of comprehensive income and not the income statement, 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. However, it should be noted that the term profit or loss continues to apply.

The illustrative **single** statement of comprehensive income is shown on the next page.

Consolidated statement of comprehensive income for the year ended 31 December

		Notes	2011 CU'000	2010 CU'000
IAS 1.51(c) IAS 1.51(d-e)				
IAS 1.82(a)	Revenue	8	**206,193**	191,593
IAS 1.85	Other income		**427**	641
IAS 1.85	Changes in inventories		**(7,823)**	(5,573)
IAS 1.85	Costs of material		**(42,634)**	(40,666)
IAS 1.85	Employee benefits expense	20	**(114,190)**	(108,673)
IAS 1.85	Change in fair value of investment property	13	**310**	175
IAS 1.85	Depreciation, amortisation and impairment of non-financial assets		**(7,942)**	(6,826)
IAS 1.85	Other expenses		**(12,722)**	(12,361)
	Operating profit		**21,619**	**18,310**
IAS 1.82(c)	Share of profit from equity accounted investments	7	**60**	12
IAS 1.82(b)	Finance costs	24	**(3,473)**	(3,594)
IAS 1.85	Finance income	25	**994**	793
IAS 1.85	Other financial items	26	**3,388**	3,599
	Profit before tax		**22,588**	**19,120**
IAS 1.82(d)	Tax expense	27	**(7,133)**	(5,932)
IAS 1.82(f)	**Profit for the year**		**15,455**	**13,188**
IAS 1.82(g)	**Other comprehensive income:**			
IAS 16.77(f)	Revaluation of land	11	**303**	–
	Cash flow hedging	14		
IFRS 7.23(c-d)	– current year gains (losses)		**367**	(47)
IAS 1.92	– reclassification to profit or loss		**260**	(425)
	Available-for-sale financial assets	14		
IFRS 7.20(a)(ii)	– current year gains (losses)		**113**	35
IAS 1.92	– reclassification to profit or loss		**(50)**	–
IAS 21.52(b)	Exchange differences on translating foreign operations		**(664)**	(341)
IAS 1.82(h)	Share of other comprehensive income of equity accounted investments		**5**	–
IAS 1.92	– reclassification to profit or loss		**(3)**	–
IAS 1.90	Income tax relating to components of other comprehensive income	15	**85**	95
	Other comprehensive income for the period, net of tax		**416**	**(683)**
IAS 1.82(i)	**Total comprehensive income for the period**		**15,871**	**12,505**
	Profit for the year attributable to:			
IAS 1.83(a)(i)	Non-controlling interest		**121**	116
IAS 1.83(a)(ii)	Owners of the parent		**15,334**	13,072
IAS 33.66			**15,455**	**13,188**
	Total comprehensive income attributable to:			
IAS 1.83(b)(i)	Non-controlling interest		**121**	116
IAS 1.83(b)(ii)	Owners of the parent		**15,750**	12,389
			15,871	**12,505**
	Earnings per share	28	**CU**	**CU**
IAS 33.66/67A	Basic earnings per share		**1.22**	1.09
IAS 33.66/67A	Diluted earnings per share		**1.22**	1.09

Appendix C: Explanatory notes to first-time adoption

This Appendix provides selected discussion of some of the IFRS 1 required disclosures (see note 34). The discussion only covers some of the requirements in IFRS 1, and therefore cannot be considered comprehensive.

i. Explanation of transition to IFRS (note 34)

A first-time adopter is required to explain how the transition to IFRS from previous GAAP affected its financial position, financial performance and cash flows (IFRS 1.23). These disclosures are described below. The information must give sufficient detail to enable users to understand the adjustments that have been made (IFRS 1.25). In practice, this will often require extensive note disclosures, including quantified reconciliations and narrative descriptions. If an entity becomes aware of errors made under previous GAAP, the reconciliations must distinguish the correction of those errors from changes in accounting policies (IFRS 1.26).

ii. IFRS 1 exemptions applied by the Group (note 34.1)

It is appropriate to disclose the IFRS 1 exemptions that have been applied by the Group on its transition to IFRS. The precise format and extent of these disclosures is not prescribed in IFRS 1, although that Standard does require that the entity explains how the transition from previous GAAP to IFRSs affected its reported results, financial position and cash flows. The general requirements of IAS 1 on disclosure of accounting policies are therefore equally applicable to the disclosure of first-time adoption exemptions. This publication includes these disclosures in a separate note that also includes the various disclosures prescribed by IFRS 1. Some entities may consider that it is more relevant to explain the exemptions alongside the related IFRS accounting policies. We believe it is appropriate to consider disclosing both the mandatory and optional IFRS 1 exemptions where applicable.

IFRS 1 sets out several optional and mandatory exemptions from retrospective application. This publication illustrates one possible combination of the exemptions available to a first-time adopter. Other combinations will apply in other circumstances.

iii. Reconciliation of equity (note 34.2)

A first-time adopter must present a reconciliation of its equity at the date of transition and also at the end of the latest period presented in the most recent annual financial statements under previous GAAP. Further illustrative guidance is included in IFRS 1.IG63 and IG Example 11 of IFRS 1.

The standard does not specify the form and content of the reconciliation, and is silent on what constitutes sufficient detail in relation to the reconciliation. Judgement will therefore need to be applied. The implementation guidance in IFRS 1 includes an example of a reconciliation (IG Example 11), which is often referred to in practice. The reconciliation presented in note 34.2 is based on IG Example 11 and presents the movements in each line item within the statement of financial position from previous GAAP to IFRS, with accompanying narrative explanations. There are of course alternative ways of satisfying IFRS 1's requirements.

iv. Reconciliation of total comprehensive income (note 34.3)

A first-time adopter must present a reconciliation to total comprehensive income under IFRSs for the latest period in the entity's most recent annual financial statements under previous GAAP. IAS 1 includes a concept of total comprehensive income and IFRS 1 acknowledges that previous GAAP might not include such a concept. Therefore, IFRS 1 allows profit or loss to be used as a starting point of the reconciliation. It explains that it is helpful for users to have information about all items of income and expense, not only those recognised in profit or loss (IFRS 1.BC92B and BC92C). The starting point therefore depends on previous GAAP such that profit or loss cannot be used as the starting point if a statement corresponding to total comprehensive income was presented under previous GAAP.

This publication includes a reconciliation based on profit or loss. The example in note 34.3 is based on the guidance in IG Example 11. This is however only one way of satisfying the requirements. In our view, the effect on earnings per share should be presented.

v. Non-current assets held for sale and discontinued operations

Where the first-time adopter presents non-current assets held-for-sale or discontinued operations, then this should be explained if such a classification was not included in previous GAAP.

vi. Presentation differences (note 34.4)

Certain presentation differences between previous GAAP and IFRS have no impact on reported profit or total equity. For example, the first-time adopter may have been required to present certain line items in its primary financial statements that are different to those required by IFRS. The explanation of transition to IFRS should include sufficient detail for users to understand the presentation differences to previous GAAP. Therefore, the first-time adopter should provide information on reclassifications or changes in line items where material. In our view, line-items that have been renamed may be shown narratively.

vii. Material adjustments to the statement of cash flows (note 34.6)

According to IFRS 1.25, an entity shall explain the material adjustments to the statement of cash flows, if an entity presented a statement of cash flows under its previous GAAP. The standard is silent as to which periods the reconciliation is required for. Often, entities will only present one comparative year for cash flow statements. In this case, a reconciliation should be presented for the latest period in the entity's most recent annual financial statements. If the entity presents two or more comparative periods, first-time adopters may present a reconciliation for all comparative periods. In the implementation guidance to IFRS 1 (IG Example 11), the Standard provides one example of the disclosure requirements.

viii. Impairment losses (note 34.8)

IFRS 1.24(c) includes requirements for note disclosures for a first-time adopter, if it recognises an impairment loss (or reversal) in its opening statement of financial position. The Standard clarifies that the note disclosures in IAS 36 Impairment of Assets (IAS 36) for impairment losses shall be included in the first IFRS financial statements for impairments (or reversals) made to the opening statement of financial position. This disclosure provides transparency about the impairment losses recognised at the date of transition (IFRS 1.BC94), that could otherwise be subsumed within reconciliation differences. In our view, this disclosure may be required in any case, because of the requirements in IAS 1 for two comparative statements of financial position and related notes. The standards require related notes for the statement of financial position, which in our view implies presenting the note disclosures in IAS 36.

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