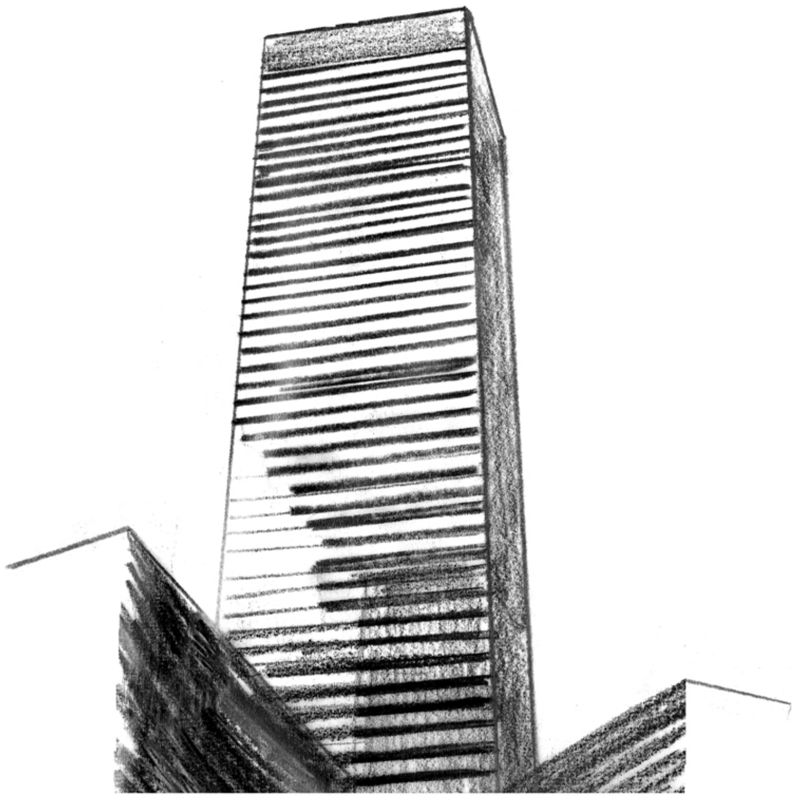
Grant Thornton

Example Interim Consolidated Financial Statements 2010

International Financial Reporting Standards (IFRS)

Illustrative Corporation Group

30 June 2010



Introduction

Example Interim Consolidated Financial Statements 2010

Important changes to IFRS take effect in 2010, which impact interim reports. For annual periods commencing on or after 1 July 2009, IFRS 3 *Business Combinations (Revised 2008)* and IAS 27 *Consolidated and Separate Financial Statements (Revised 2008)* apply and make significant changes to the presentation, recognition and measurement of business combinations, transactions with non-controlling interests and loss of control of a subsidiary. Furthermore, interim reports for annual periods beginning on or after 1 January 2010 are also affected by *Improvements to IFRSs 2009*, which made minor amendments to a number of IFRSs.

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 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 *Example Interim Consolidated Financial Statements 2010* (the Publication). This Publication reflects the collective experience of Grant Thornton International's IFRS team and member firm IFRS experts, and is intended to illustrate the 'look and feel' of IFRS interim consolidated financial statements and to provide a realistic example of their presentation.

The Publication illustrates condensed interim consolidated financial statements for a six month accounting period beginning on 1 January 2010. It is based on the activities and results of Illustrative Corporation and its subsidiaries (together the Group) - a fictional manufacturing and retailing entity that has been preparing IFRS financial statements for several years. The Group produces half-yearly interim reports in accordance with IAS 34 *Interim Financial Reporting* (IAS 34) at 30 June 2010.

The Publication has been reviewed and updated to reflect changes in IFRSs that are effective for the year ending 31 December 2010. However, no account has been taken of any new developments published after **31 May 2010**.

Condensed set of interim financial statements

An entity complying with IAS 34 has a choice of preparing a condensed set of interim financial statements or a full set of IFRS financial statements. This publication illustrates a condensed set of interim financial statements based on the requirements of IAS 34.8. Where a full set of financial statements are presented in the interim financial report, the form and content of those financial statements is required to conform to the requirements of IAS 1 *Presentation of Financial Statements* for a complete set of financial statements (IAS 34.9).

Local reporting requirements

The requirements for interim reports vary significantly between jurisdictions. Entities that apply IAS 34 may also be subject to requirements imposed by law or by a stock exchange. Such requirements may include reporting financial and other highlights, a chairman's statement, an operating and financial review, specific qualitative and quantitative disclosures and reporting deadlines. Local reporting requirements are not included in this Publication.

Using this publication

The form and content of interim financial statements will of course depend on the activities and transactions of the reporting entity in concern. Our objective in preparing *Example Interim Consolidated Financial Statements 2010* is to illustrate one possible approach to interim 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. For example, IAS 34 requires that the interim financial statements should explain significant events and transactions that have occurred in the interim period. The required disclosures will therefore depend on the specific circumstances. The interim financial statements should be amended, amplified or abbreviated according to the importance of the area to the financial statements as a whole. Management is responsible for the fair presentation of financial statements and therefore may find other approaches more appropriate in their specific circumstances.

Grant Thornton International Ltd
June 2010

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Contents of interim financial statements

Paragraph 8 of IAS 34 *Interim Financial Reporting*, requires that condensed interim financial statements contain as a minimum:

- a condensed statement of financial position
- a condensed statement of comprehensive income, presented either as a condensed single statement or a condensed separate income statement and a condensed statement of comprehensive income
- a condensed statement of changes in equity
- a condensed statement of cash flows
- selected explanatory notes

According to IAS 34.20, the interim financial statements (condensed or complete) shall include the following periods:

- a statement of financial position as at the end of the current interim period and a comparative statement of financial position as at the end of the immediately preceding financial year;
- either:
  - two separate statements, being an income statement and statement of comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparatives for the comparable interim period (ie comparable interim period and financial year to date); or
  - a single statement of comprehensive income for the current interim period, and cumulatively for the current financial year to date, with comparatives for the comparable interim period (ie comparable interim period and financial year to date);
- a statement of changes in equity showing changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year; and
- a statement of cash flows for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.

Presentation of the interim statement of comprehensive income either as a single statement or two separate statements should follow the presentation in the annual financial statements (IAS 34.8A). The Group presents a separate income statement and a separate statement of comprehensive income in its annual financial statements. In addition, the Group's income statement illustrates an example of the 'nature of expense format.' Accordingly, these example interim financial statements follows the same approach. The alternative methods of presenting a single statement of comprehensive income and of presenting an income statement illustrating the 'function of expense format' are included as appendices to the *Example Consolidated Financial Statements 2009*[1].

IAS 1 *Presentation of Financial Statements* (Revised 2007) requires an additional statement of financial position at the start of the comparative period in certain circumstances (IAS 1.39). IAS 34 does not require, and therefore these example interim consolidated financial statements do not include, such a statement of financial position.

Entities wishing to follow best practice may wish to include an income statement and/or a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the immediately preceding financial year. This example has been prepared in accordance with best practice, with three periods for each primary statement and associated notes.

Summary of requirements (IAS 34.A1)

	Interim period	**Last year end**	**Comparative interim period**
Statement of financial position	Yes	Yes	Good practice
Statement of comprehensive income	Yes (current and year-to-date)	Good practice	Yes (current and year-to-date)
Statement of changes in equity	Yes (year-to-date)	Good practice	Yes (year-to-date)
Statement of cash flows	Yes (year-to-date)	Good practice	Yes (year-to-date)

[1] The Grant Thornton International IFRS Team published the *Example Consolidated Financial Statements 2009* in November 2009, providing an example of a full set of annual IFRS financial statements. The *Example Interim Consolidated Financial Statements 2010* use a different name but are otherwise a continuation of the operations, financial statement presentation and disclosures of the reporting entity in the *Example Consolidated Financial Statements 2009*.

Comments: Consolidated statement of financial position

IAS 34.10 requires the interim statement to include, as a minimum, each of the headings and subtotals that were included in the most recent annual financial statements.

IAS 1.54 provides a list of the minimum items to be presented on the face of the statement of financial position. Where relevant, references to IAS 1 and other IFRS requirements are included on the left hand side of the consolidated statement of financial position. There maybe situations where additional line items, headings and subtotals may also need to be included. IAS 1.55 requires an entity to present additional items on the face of the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.

Consolidated statement of financial position

		Notes	30 June	30 June	31 December
IAS 1.51(c)	**Assets**		**2010**	**2009**	**2009**
IAS 1.51(d-e)			**CU000**	**CU000**	**CU000**
IAS 1.60, IAS 1.66	**Non-current**				
IAS 1.57	Goodwill	14	7,397	5,880	5,041
IAS 1.54(c)	Other intangible assets	7	25,913	19,860	17,346
IAS 1.54(a)	Property, plant and equipment	6	26,281	23,640	22,439
IAS 1.54(e), IAS 28.38	Investments accounted for using the equity method		475	399	430
IAS 1.54(b)	Investment property		12,732	12,487	12,662
IAS 1.54(d)	Other long-term financial assets		3,802	3,525	3,765
IAS 1.60	Non-current assets		76,600	65,791	61,683
IAS 1.60, IAS 1.66	**Current**				
IAS 1.54(g)	Inventories		32,586	29,855	18,548
IAS 1.54(h)	Trade and other receivables		28,746	22,576	33,629
IAS 1.55	Derivative financial instruments		598	554	582
IAS 1.54(d)	Other short-term financial assets		689	651	655
IAS 1.54(i)	Cash and cash equivalents		42,539	9,857	34,436
IAS 1.60	Current assets		105,158	63,493	87,850
IAS 1.54(j)	Assets and disposal group classified as held for sale		-	3,236	103
IAS 1.55	**Total assets**		181,758	132,520	149,636

Consolidated statement of financial position

IAS 1.57		Notes	30 June	30 June	31 December
IAS 1.51(c)	**Equity and liabilities**		**2010**	**2009**	**2009**
IAS 1.51(d-e)			**CU000**	**CU000**	**CU000**
	Equity				
	Equity attributable to owners of the parent:				
IAS 1.54(r)	Share capital	10	15,820	12,270	13,770
IAS 1.55	Share premium		40,045	4,465	19,645
IAS 1.55	Other components of equity		650	327	621
IAS 1.54(r)	Retained earnings		56,549	39,278	49,281
			113,064	56,340	83,317
IAS 1.54(q)	Non-controlling interest		780	649	713
IAS 1.55	**Total equity**		113,844	56,989	84,030
	Liabilities				
IAS 1.60, IAS 1.69	**Non-current**				
IAS 1.55	Pension and other employee obligations		11,788	10,980	11,224
IAS 1.54(m)	Borrowings		19,768	21,125	21,000
IAS 1.54(k)	Trade and other payables		5,142	4,856	4,096
IAS 1.55	Other liabilities		1,854	1,450	1,400
IAS 1.54(o), 1.56	Deferred tax liabilities		6,253	4,847	5,397
IAS 1.55	Non-current liabilities		44,805	43,258	43,117
IAS 1.60, IAS 1.69	**Current**				
IAS 1.54(l)	Provisions	15	615	2,280	1,215
IAS 1.55	Pension and other employee obligations		1,625	1,398	1,467
IAS 1.54(k)	Trade and other payables		10,272	19,245	9,059
IAS 1.54(m)	Borrowings		3,986	4,655	4,815
IAS 1.54(n)	Current tax liabilities		3,325	1,152	3,175
IAS 1.55	Other liabilities		3,286	3,160	2,758
IAS 1.55	Current liabilities		23,109	31,890	22,489
IAS 1.54(p)	Liabilities included in disposal group held for sale		-	383	-
IAS 1.55	**Total liabilities**		67,914	75,531	65,606
IAS 1.55	**Total equity and liabilities**		181,758	132,520	149,636

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Comments: Consolidated income statement

IAS 34.10 requires the interim statement to include, as a minimum, each of the headings and subtotals that were included in the most recent annual financial statements. Consistent with the Group's annual financial statements, a separate income statement and a separate statement of comprehensive income are presented in the interim consolidated financial statements.

IAS 1.82(a)-(f) provides a list of the minimum items to be presented on the face of the separate income statement. Where relevant, references to IAS 1 and other IFRS requirements are included on the left hand side of the consolidated income statement. There maybe situations where additional line items, headings and subtotals need to be included. IAS 1.85 requires an entity to present such additional items on the face of the income statement when such presentation is relevant to an understanding of the entity's financial performance.

IAS 1 allows an entity to use either the 'nature of expense' or 'function of expense' format, whichever is reliable and more relevant (IAS 1.99). This publication provides an example of the 'nature of expense' format.

IAS 34.11 requires the presentation of both basic and diluted earnings per share on the face of the statement that presents the components of profit or loss. Where an entity presents a separate income statement and statement of comprehensive income, the basic and diluted earnings per share figures should be presented on the face of the income statement (IAS 34.11A).

IAS 34 does not specifically require earnings per share figures separately for continuing, discontinued and total operations. IAS 33 *Earnings per Share* requires the annual financial statements to show, on the face of the income statement, the basic and diluted earnings per share for continuing operations and the total from continuing and discontinued operations (IAS 33.66). The figure for discontinued operations is required to be shown, in the annual financial statements, on either the face of the income statement or in the notes to those financial statements (IAS 33.68).

IAS 34 does not specify which figures should be reported. However in our opinion it should be the earnings per share figures for total operations (as a minimum). Where the directors decide to show earnings per share from continuing or discontinued operations on the face of the income statement, in our opinion the earnings per share figures for total operations should also be shown on the face of the income statement.

Consolidated income statement

		Notes	6 months to 30 June	6 months to 30 June	Year to 31 December
IAS 1.51(c)			**2010**	**2009**	**2009**
IAS 1.51(d-e)			**CU000**	**CU000**	**CU000**
IAS 1.82(a)	Revenue	5	116,846	89,063	206,193
IAS 1.85	Other income		202	185	427
IAS 1.85	Changes in inventories		(5,066)	(3,148)	(7,823)
IAS 1.85	Costs of material		(23,403)	(18,638)	(42,634)
IAS 1.85	Employee benefits expense		(61,532)	(51,076)	(114,190)
IAS 1.85	Change in fair value of investment property		55	125	310
IAS 1.85	Depreciation, amortisation and impairment of non-financial assets		(3,865)	(3,158)	(7,942)
IAS 1.85	Other expenses		(4,879)	(5,625)	(12,499)
	Operating profit		18,358	7,728	21,842
IAS 1.82(c)	Share of profit from equity accounted		45	29	60
IAS 1.82(b)	Finance costs		(1,547)	(1,613)	(3,453)
IAS 1.85	Finance income		1,050	465	994
IAS 1.85	Other financial items		1,878	1,583	3,388
	Profit before tax		19,784	8,192	22,831
IAS 1.82(d)	Tax expense		(5,957)	(2,517)	(7,205)
	Profit for the period from continuing		13,827	5,675	15,626
IAS 1.82(e)	Profit (loss) for the period from	16	96	8	(9)
IAS 1.82(f)	**Profit for the period**		13,923	5,683	15,617
	Profit for the period attributable to:				
IAS 1.83(a)(i)	Non-controlling interest		67	57	121
IAS 1.83(a)(ii)	Owners of the parent		13,856	5,626	15,496
			13,923	5,683	15,617
IAS 34.11, 11A	**Earnings per share**	8	**CU**	**CU**	**CU**
IAS 33.67A	Basic earnings per share				
IAS 33.66	Earnings from continuing operations		0.92	0.46	1.24
IAS 33.68	Earnings from discontinued operations		0.01	-	-
IAS 33.66	Total		0.93	0.46	1.24
IAS 33.68A	Diluted earnings per share				
IAS 33.66	Earnings from continuing operations		0.92	0.46	1.24
IAS 33.68	Earnings from discontinued operations		0.01	-	-
IAS 33.66	Total		0.93	0.46	1.24

Comments: Consolidated statement of comprehensive income

IAS 1.82(g)-(i) provides a list of the minimum items to be presented on the face of the separate statement of comprehensive income. Where relevant, references to IAS 1 and other IFRS requirements are included on the left hand side of the consolidated statement of comprehensive income.

According to IAS 1.90, an entity discloses the amount of income tax relating to each component of other comprehensive income, either on the face of the statement of comprehensive income or in the notes. In accordance with IAS 1.91(b), the Group, in its annual financial statements, 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. The tax effects of each component of other comprehensive income are disclosed in the notes to the annual financial statements. This publication follows the same format. However, the disclosure of the tax effects of each component of other comprehensive income is not specifically required by IAS 34 and is not considered necessary in this example.

Consolidated statement of comprehensive income

		6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
IAS 1.51(c) IAS 1.51(d-e)		**CU000**	**CU000**	**CU000**
IAS 1.81(b)	**Profit for the period**	13,923	5,683	15,617
IAS 1.82(g)	**Other comprehensive income:**			
IAS 16.77(f)	Revaluation of land	-	-	303
	Cash flow hedging			
IFRS 7.23(c-d)	- current year gains (losses)	215	287	367
IAS 1.92	- reclassification to profit or loss	157	178	260
	Available-for-sale financial assets			
IFRS 7.20(a)(ii)	- current year gains (losses)	35	(22)	113
IAS 1.92	- reclassification to profit or loss	24	(32)	(50)
IAS 21.52(b)	Exchange differences on translating foreign operations	(575)	(414)	(664)
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	173	125	85
	Other comprehensive income for the period, net of tax	29	122	416
IAS 1.82(i)	**Total comprehensive income for the period**	13,952	5,805	16,033
	Total comprehensive income for the period attributable to:			
IAS 1.83(b)(i)	Non-controlling interest	67	57	121
IAS 1.83(b)(ii)	Owners of the parent	13,885	5,748	15,912
		13,952	5,805	16,033

Comments: Consolidated statement of changes in equity

IAS 34.10 requires the interim statement to include, as a minimum, each of the headings and subtotals that were included in the most recent annual financial statements.

IAS 1.106 provides a list of the required items to be presented on the face of the statement of changes in equity. Where relevant, references to IAS 1 and other IFRS requirements are included on the left hand side of the consolidated statement of changes in equity.

2010 IFRS Annual Improvements

In May 2010, the IASB published *Improvements to IFRSs* (2010 Improvements). The 2010 Improvements made changes to a number of IFRSs including IAS 1. In particular, IAS 1.106(d)ii was amended to clarify that entities have a choice to 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. This improvement is effective for periods beginning on or after 1 January 2011. Earlier application is permitted.

These example interim financial statements present the reconciliation for each component of comprehensive income on the face of the consolidated statement of changes in equity. This is consistent with the presentation in the Group's annual financial statements.

Consolidated statement of changes in equity

		Share capital	Share premium	Trans-lation reserve	Reval-uation reserve	Available-for-sale financial assets	Cash-flow hedges	Retained earnings	Total attri-butable to owners of parent	Non-controlling interest	Total equity
IAS 1.51(d-e)		**CU000**	**CU000**	**CU000**	**CU000**	**CU000**	**CU000**	**CU000**	**CU000**	**CU000**	**CU000**
IAS 1.106(d)	**Balance at 1 January 2010**	13,770	19,645	(847)	901	98	469	49,281	83,317	713	84,030
	Dividends	-	-	-	-	-	-	(6,855)	(6,855)	-	(6,855)
	Issue of share capital under share-based payment	350	1,750	-	-	-	-	-	2,100	-	2,100
	Employee share-based payment options	-	-	-	-	-	-	267	267	-	267
	Issue of share capital	1,700	18,650	-	-	-	-	-	20,350	-	20,350
IAS 1.106(d)(iii)	Transactions with owners	2,050	20,400	-	-	-	-	(6,588)	15,862	-	15,862
IAS 1.106(d)(i)	Profit for the period	-	-	-	-	-	-	13,856	13,856	67	13,923
IAS 1.106(d)(ii)	**Other comprehensive income:**										
	Cash flow hedges										
IFRS 7.23(c)	- current period gains (losses)	-	-	-	-	-	215	-	215	-	215
IFRS 7.23(d)	- reclassification to profit or loss	-	-	-	-	-	157	-	157	-	157
IFRS 7.20(a)(ii)	Available-for-sale financial assets										
	- current period gains (losses)	-	-	-	-	35	-	-	35	-	35
	- reclassification to profit or loss	-	-	-	-	24	-	-	24	-	24
IAS 21.52(b)	Exchange differences on translating foreign operations	-	-	(575)	-	-	-	-	(575)	-	(575)
IAS 12.81(a), IAS 1.90	Income tax relating to components of other comprehensive income	-	-	173	-	-	-	-	173	-	173
IAS 1.106(a)	Total comprehensive income for the period	-	-	(402)	-	59	372	13,856	13,885	67	13,952
IAS 1.106(d)	**Balance at 30 June 2010**	15,820	40,045	(1,249)	901	157	841	56,549	113,064	780	113,844

Consolidated statement of changes in equity

IAS 1.51(d-e)		Share capital CU000	Share premium CU000	Trans-lation reserve CU000	Reval-uation reserve CU000	Available-for-sale financial assets CU000	Cash-flow hedges CU000	Retained earnings CU000	Total attri-butable to owners of parent CU000	Non-controlling interest CU000	Total equity CU000
IAS 1.106(d)	**Balance at 1 January 2009**	12,000	3,050	(359)	689	35	(160)	36,487	51,742	592	52,334
	Dividends	-	-	-	-	-	-	(3,000)	(3,000)	-	(3,000)
	Issue of share capital under share-based payment	270	1,415	-	-	-	-	-	1,685	-	1,685
	Employee share-based payment options	-	-	-	-	-	-	165	165	-	165
IAS 1.106(d)(iii)	Transactions with owners	270	1,415	-	-	-	-	(2,835)	(1,150)	-	(1,150)
IAS 1.106(d)(i)	Profit for the period	-	-	-	-	-	-	5,626	5,626	57	5,683
IAS 1.106(d)(ii)	**Other comprehensive income:**										
	Cash flow hedges										
IFRS 7.23(c)	- current period gains (losses)	-	-	-	-	-	287	-	287	-	287
IFRS 7.23(d)	- reclassification to profit or loss	-	-	-	-	-	178	-	178	-	178
IFRS 7.20(a)(ii)	Available-for-sale financial assets										
	- current period gains (losses)	-	-	-	-	(22)	-	-	(22)	-	(22)
	- reclassification to profit or loss	-	-	-	-	(32)	-	-	(32)	-	(32)
IAS 21.52(b)	Exchange differences on translating foreign operations	-	-	(414)	-	-	-	-	(414)	-	(414)
IAS 12.81(a), IAS 1.90	Income tax relating to components of other comprehensive income	-	-	125	-	-	-	-	125	-	125
IAS 1.106(a)	Total comprehensive income for the period	-	-	(289)	-	(54)	465	5,626	5,748	57	5,805
IAS 1.106(d)	**Balance at 30 June 2009**	12,270	4,465	(648)	689	(19)	305	39,278	56,340	649	56,989

Consolidated statement of changes in equity

IAS 1.51(d-e)		Share capital CU000	Share premium CU000	Translation reserve CU000	Revaluation reserve CU000	Available-for-sale financial assets CU000	Cash-flow hedges CU000	Retained earnings CU000	Total attributable to owners of parent CU000	Non-controlling interest CU000	Total equity CU000
IAS 1.106(d)	**Balance at 1 January 2009**	12,000	3,050	(359)	689	35	(160)	36,487	51,742	592	52,334
	Dividends	-	-	-	-	-	-	(3,000)	(3,000)	-	(3,000)
	Issue of share capital under share-based payment	270	1,415	-	-	-	-	-	1,685	-	1,685
	Employee share-based payment options	-	-	-	-	-	-	298	298	-	298
	Issue of share capital	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	-	-	-	-	-	-	15,496	15,496	121	15,617
IAS 1.106(d)(ii)	**Other comprehensive income:**										
	Cash flow hedges										
IFRS 7.23(c)	- current year gains (losses)	-	-	-	-	-	367	-	367	-	367
IFRS 7.23(d)	- reclassification to profit or loss	-	-	-	-	-	260	-	260	-	260
IFRS 7.20(a)(ii)	Available-for-sale financial assets										
	- current year gains (losses)	-	-	-	-	113	-	-	113	-	113
	- reclassification to profit or loss	-	-	-	-	(50)	-	-	(50)	-	(50)
IAS 16.77(f)	Revaluation of land	-	-	-	303	-	-	-	303	-	303
IAS 21.52(b)	Exchange differences on translating foreign operations	-	-	(664)	-	-	-	-	(664)	-	(664)
IAS 1.82(h)	Equity accounted investments	-	-	-	-	-	5	-	5	-	5
IAS 1.82(h)	- reclassification to profit or loss	-	-	-	-	-	(3)	-	(3)	-	(3)
IAS 12.81(a), IAS 1.90	Income tax relating to components of other comprehensive income	-	-	176	(91)	-	-	-	85	-	85
IAS 1.106(a)	Total comprehensive income for the year	-	-	(488)	212	63	629	15,496	15,912	121	16,033
IAS 1.106(d)	**Balance at 31 December 2009**	13,770	19,645	(847)	901	98	469	49,281	83,317	713	84,030

Comments: Consolidated statement of cash flows

IAS 34.10 requires the interim statement to include, as a minimum, each of the headings and subtotals that were included in the most recent annual financial statements. Consistent with the Group's annual financial statements, the interim consolidated statement of cash flows is prepared using the indirect method in accordance with IAS 7.18(b). The statement of cash flows can also be prepared using the direct method (IAS 7.18(a)).

Where relevant, references to IAS 7 and other IFRS requirements are included on the left hand side of the consolidated statement of cash flows.

Consolidated statement of cash flows

		Notes	6 months to 30 June	6 months to 30 June	Year to 31 December
IAS 1.51(c)			**2010**	**2009**	**2009**
IAS 1.51(d-e)			**CU000**	**CU000**	**CU000**
IAS 7.10	**Operating activities**				
	Profit before tax		19,784	8,192	22,831
	Adjustments for non-cash items		2,607	2,492	8,498
	Contributions to defined benefit plans		(995)	(616)	(1,186)
	Net changes in working capital		(588)	11,283	(2,153)
	Settling of derivative financial instruments		-	-	(33)
IAS 7.35	Taxes paid		(5,675)	(577)	(1,924)
	Cash flow from operating activities		15,133	20,774	26,033
IAS 7.10	**Investing activities**				
	Purchase of property, plant and equipment	6	(47)	(26)	(76)
	Proceeds from disposals of property, plant and equipment		128	11	86
	Purchase of other intangible assets	7	(2,470)	(2,770)	(3,666)
	Proceeds from disposals of other intangible assets		-	-	924
IAS 7.39	Acquisition of subsidiaries, net of cash	13	(18,176)	(16,091)	(16,091)
	Proceeds from disposals and redemptions of non-derivative financial assets		105	135	228
IAS 7.31	Interest received		465	352	752
IAS 7.31	Dividends received		48	40	62
IAS 7.35	Taxes paid		-	-	(244)
	Cash flow from investing activities		(19,947)	(18,349)	(18,025)
IAS 7.10	**Financing activities**				
	Proceeds from bank loans		-	1,441	1,441
	Repayment of bank loans		(2,543)	(3,478)	(3,778)
	Proceeds from issue of share capital		22,450	1,685	18,365
IAS 7.31	Interest paid		(473)	(428)	(1,015)
IAS 7.31	Dividends paid	11	(6,855)	(3,000)	(3,000)
	Cash flow from financing activities		12,579	(3,780)	12,013
IAS 7.45	**Net change in cash and cash equivalents from continuing operations**		7,765	(1,355)	20,021
IFRS 5.33(c)	Net cash flows from discontinued operations		240	(22)	3,095
IAS 7.45	**Net change in cash and cash equivalents**		8,005	(1,377)	23,116
	Cash and cash equivalents, beginning of period		34,436	11,259	11,259
IAS 7.28	Exchange differences on cash and cash equivalents		98	(25)	61
IAS 7.45	**Cash and cash equivalents, end of period**		42,539	9,857	34,436

Comments: Notes to the consolidated interim financial statements

Where an entity's interim financial report is in compliance with IAS 34, that fact shall be disclosed (IAS 34.19). Where a condensed set of financial statements is prepared, the basis of preparation will need to refer to the fact that these interim financial statements are 'condensed.' An interim financial report shall not be described as complying with IFRS unless it complies with all of the requirements of IFRS.

Interim financial reports are prepared assuming that the users of such reports have access to the most recent annual financial report of the entity. Consequently, disclosures in the interim financial report include an explanation of significant events and transactions that will aid in the understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period (IAS 34.15). Also, disclosures in the condensed interim financial report need not duplicate information previously reported (IAS 34.6). IAS 34.16 sets out the minimum information required to be disclosed in the notes to the condensed interim financial statements. Except as required by IAS 34.16(i), the disclosures required by other IFRSs are not required if only condensed financial statements and selected explanatory notes are presented rather than a complete set of financial statements (IAS 34.18).

In this example interim report, the selected explanatory notes include disclosures of transactions and events that are considered to have a significant effect on the current period financial statements of the example entity and other disclosures that are intended to assist users in understanding the results of operations of the entity for the current interim period. As with any example, this illustration does not envisage every possible transaction and cannot therefore be regarded as comprehensive. Also, depending on the circumstances, certain of these disclosures might be regarded either as voluntary or as necessary to meet the general requirements of IAS 34.16.

The disclosures in the example notes to the financial statements follow the format of the disclosures in the Group's annual financial statements in so far as these disclosures are required by IAS 34. Where relevant, references to IAS 34 and other IFRS requirements are included on the left hand side of the disclosures.

2010 IFRS Annual Improvements

In May 2010, the IASB published *Improvements to IFRSs* (2010 Improvements). The 2010 Improvements made changes to a number of IFRSs including IAS 34. Amendments to IAS 34 aim to improve interim financial reporting by clarifying the disclosures required. The amendments added examples of events and transactions that are required to be disclosed (if significant). This also includes required disclosures related to the recent improvements in IFRS 7 *Financial Instruments: Disclosures* (IFRS 7).

These 2010 Improvements are effective for periods beginning on or after 1 January 2011. Earlier application is permitted but has not been applied in this Publication.

Notes to the Condensed Interim Consolidated Financial Statements

1 Nature of operations

Illustrative Corporation and subsidiaries' (together the Group) principal activities include the development, manufacturing, sale and service of customised IT and telecommunication systems.

The Group provides phone and intranet based in-house applications including the integration of mobile end devices into new and existing IT and telecommunication structures. By integrating these activities, the Group acts as a one-stop-shop for the modern day communication requirements of small- to medium-sized companies. Services include consulting activities that concentrate on the design of combined IT and telecommunication systems for clients. The Group also delivers IT and telecommunication solutions specifically designed for the customer through modification of complex equipment. The Group sells the hardware and software products of the Group's business partners and delivers extensive after-sale service and maintenance for these products. Refer to Note 5 for further information about the Group's operating segments.

2 General information and basis of preparation

IAS 34.3
IAS 34.19

The condensed interim consolidated financial statements are for the six months ended 30 June 2010. They have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009.[1]

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

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

[Other general information required in the local jurisdiction may be included here, for example, if the interim consolidated financial statements are unaudited].

The condensed interim consolidated financial statements have been approved for issue by the Board of Directors on [date].

3 Significant accounting policies

IAS 34.28
IAS 34.16(a)

The condensed interim consolidated financial statements (the interim financial statements) have been prepared in accordance with the accounting policies[2] adopted in the last annual financial statements for the year ended 31 December 2009,[3] except for the adoption of the following standards as of 1 January 2010:

- IFRS 3 *Business Combinations* (Revised 2008)
- IAS 27 *Consolidated and Separate Financial Statements* (Revised 2008)
- Improvements to IFRSs 2009

Significant effects on the current period or prior periods arising from the first-time adoption of these new requirements are described below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed interim consolidated financial statements.

IAS 34.16(a)

3.1 Adoption of IFRS 3 Business Combination (Revised 2008)

The revised standard (IFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in IFRS 3R that had an impact on the Group's acquisitions in 2010 are as follows:

- Acquisition-related costs of the combination are recorded as an expense in the income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless IFRS 3R provides an exception and provides specific measurement rules.

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[2] IAS 34.28 requires the use of the discrete period approach. This requires that items of income and expenses should be recognised and measured on a basis consistent with that used in preparing the annual financial statements, and that no adjustments should be made for events expected to occur subsequent to the end of the interim period. IAS 34.28 notes that the frequency of an entity's reporting should not affect its annual results. There are however some situations where annual reporting can be altered. One example is impairment of goodwill. IFRIC 10 *Interim Financial Reporting and Impairment* notes that an entity shall not reverse an impairment loss recognised in a previous interim period even if the impairment loss would not have been recognised had the impairment assessment been made only at the end of the annual reporting period (IFRIC 10.8).

The discrete period approach is also problematic in the context of income taxes, which are generally measured based on the taxable profit of an annual period. Accordingly, IAS 34 requires that interim period income tax is accrued using the tax rate that would be applicable to expected total annual earnings. The estimated average annual effective income tax rate is applied to the pre-tax income of the interim period (IAS 34.B12). It may be appropriate in some cases to refer to the basis of measurement of income tax expense in the notes to the interim financial statements.

[3] *Example Consolidated Financial Statements 2009* reflected the adoption in 2009 of IAS 23 *Borrowing Costs* (Revised 2007), Amendments to IFRS 7 *Financial Instruments: Disclosures - improving disclosures about financial instruments* and IFRIC 13 *Customer Loyalty Programmes*. It also reflects the application of IAS 1 *Presentation of Financial Statements* (Revised 2007) and IFRS 8 *Operating Segments* which were adopted in earlier periods.

- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

IFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. For the six months ended 30 June 2010, the adoption of IFRS 3R has affected the accounting for the Group's acquisition of Sysmagic Limited (See Note 13) by increasing the Group's expenses related to acquisition-related costs by CU 304,000. Current tax expense has decreased by CU 91,000. Basic and diluted earnings per share for the current period have decreased by CU 0.02.

Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

IAS 34.16(a)

3.2 Adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The adoption of IFRS 3R required that the revised IAS 27 (IAS 27R) is adopted at the same time. IAS 27R introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. Similar to IFRS 3R, the adoption of IAS 27R is applied prospectively. The Group did not have transactions with non-controlling interests in the current period and did not dispose of any of its equity interests in its subsidiaries. Therefore, the adoption of IAS 27R did not have an impact in the current period financial statements.

IAS 34.16(a)

3.3 Adoption of Improvements to IFRSs 2009 (issued in April 2009)

The *Improvements to IFRSs 2009* ('2009 Improvements') made several minor amendments to IFRSs. The only amendment relevant to the Group relates to IAS 17 *Leases*. The amendment requires that leases of land are classified as finance or operating applying the general principles of IAS 17. Prior to this amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of the land elements of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases require reclassification.

4 Significant events and transactions

IAS 34.15
IAS 34.16

The Group's management believes that the Group is well positioned despite the continuing difficult economic circumstances. Factors contributing to the Group's strong position are:

- No significant decline in order intake experienced on larger projects. Further, the Group has several long-term contracts with a number of its customers.
- The Group does not expect to need additional borrowing facilities in the next 12 months as a result of its significant financial resources, existing facilities and strong liquidity reserves. The Group has significant headroom to comply with its debt covenants.
- The Group's major customers have not experienced financial difficulties. Credit quality of trade receivables as at 30 June 2010 is considered to be good.

Overall, the Group is in a strong position despite the current economic environment, and has sufficient capital and liquidity to service its operating activities and debt. The Group's objectives and policies for managing capital, credit risk and liquidity risk are described in its recent annual financial statements.

5 Segment reporting

IAS 34.16(g)

In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group. The Group operates three main business segments: *consulting, service* and *retail*. The activities undertaken by the *consulting segment* includes the sale, customisation and integration of IT and telecommunication systems. Maintenance of these systems is undertaken by the *service segment*. The *retail segment* includes the entire Group's internet based selling activities of hardware and software products. Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

In addition, two minor operating segments, for which the quantitative thresholds for separate disclosures have not been met, are currently combined below under 'other'. The main sources of revenue for these operating segments are sale and disposal of used IT equipment that the Group collects from its customers.

IAS 34.16(g)(v)

During the six month period to 30 June 2010, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

IAS 34.16(g)(i-iv) The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

		Consulting	Service	Retail	Other	Total
		2010	2010	2010	2010	2010
	6 Months to June 2010	CU000	CU000	CU000	CU000	CU000
	Revenue					
IFRS 8.23(a)	From external customers	56,216	21,435	36,576	2,069	116,296
	Discontinued operations	-	-	-	-	-
IFRS 8.23(b)	From other segments	346	-	-	-	346
	Segment revenues	56,562	21,435	36,576	2,069	116,642
IFRS 8.23	Segment operating profit	16,997	2,835	2,187	112	22,131
IFRS 8.23	Segment assets	73,802	28,141	48,018	3,036	152,997

		Consulting	Service	Retail	Other	Total
		2009	2009	2009	2009	2009
	6 Months to June 2009	CU000	CU000	CU000	CU000	CU000
	Revenue					
IFRS 8.23(a)	From external customers	47,843	7,832	31,129	1,761	88,565
	Discontinued operations	-	-	7,352	-	7,352
IFRS 8.23(b)	From other segments	145	-	-	-	145
	Segment revenues	47,988	7,832	38,481	1,761	96,062
IFRS 8.23	Segment operating profit	10,171	(281)	1,556	(24)	11,422
IFRS 8.23	Segment assets	60,141	9,845	39,130	2,214	111,330

		Consulting	Service	Retail	Other	Total
		2009	2009	2009	2009	2009
	Year to 31 December 2009	CU000	CU000	CU000	CU000	CU000
	Revenue					
IFRS 8.23(a)	From external customers	110,810	18,140	72,098	4,079	205,127
	Discontinued operations	-	-	9,803	-	9,803
IFRS 8.23(b)	From other segments	231	-	-	-	231
	Segment revenues	111,041	18,140	81,901	4,079	215,161
IFRS 8.23	Segment operating profit	20,152	1,250	7,058	100	28,560
IFRS 8.23	Segment assets	67,907	11,117	44,183	2,500	125,707

IAS 34.16(g)(vi) The Group's segment operating profit reconciles to the Group's profit before tax as presented in its financial statements as follows:

		6 months to 30 June 2010 CU000	6 months to 30 June 2009 CU000	Year to 31 December 2009 CU000
IFRS 8.28(b)	**Profit or loss**			
	Segment operating profit	22,131	11,422	28,560
	Rental income from investment property	550	498	1,066
	Change in fair value of investment property	55	125	310
	Share-based payment expenses	(267)	(165)	(298)
	Post-employment benefit expenses	(3,150)	(2,850)	(6,099)
	Research and development costs	(985)	(1,250)	(1,690)
	Other income not allocated	202	185	427
	Other expenses not allocated	(97)	(165)	(303)
	Operating profit of discontinued operations	-	(54)	(73)
	Elimination of intersegment profits	(81)	(18)	(58)
	Group operating profit	18,358	7,728	21,842
	Share of profit from equity accounted investments	45	29	60
	Finance costs	(1,547)	(1,613)	(3,453)
	Finance income	1,050	465	994
	Other financial items	1,878	1,583	3,388
	Group profit before tax	19,784	8,192	22,831

6 Additions and disposals of property, plant and equipment

IAS 34.16(c) The following tables show the significant additions and disposals of property, plant and equipment[4]:

		Land CU000	Buildings CU000	IT equip-ment CU000	Other equip-ment CU000	Total CU000
	Gross carrying amount					
IAS 16.73(d)	Balance 1 January 2010	8,709	20,177	7,806	2,905	39,597
IAS 16.73(e)(i)	Additions	-	-	35	12	47
IAS 16.73(e)(iii)	Acquisition through business combination	-	2,435	2,527	856	5,818
IAS 16.73(e)(ii)	Disposals	-	-	-	(456)	(456)
IAS 16.73(e)(iv)	Revaluation increase	-	-	-	-	-
IAS 16.73(e)(viii)	Net exchange differences	(15)	(65)	(62)	(46)	(188)
IAS 16.73(d)	Balance at 30 June 2010	8,694	22,547	10,306	3,271	44,818
	Depreciation and impairment					
IAS 16.73(d)	Balance 1 January 2010	-	(13,213)	(2,446)	(1,499)	(17,158)
IAS 16.73(e)(ii)	Disposals	-	-	-	385	385
IAS 16.73(e)(viii)	Net exchange differences	-	(46)	(55)	(48)	(149)
IAS 16.73(e)(vii)	Depreciation	-	(710)	(602)	(303)	(1,615)
IAS 16.73(d)	Balance at 30 June 2010	-	(13,969)	(3,103)	(1,465)	(18,537)
	Carrying amount 30 June 2010	8,694	8,578	7,203	1,806	26,281

		Land CU000	Buildings CU000	IT equip-ment CU000	Other equip-ment CU000	Total CU000
	Gross carrying amount					
IAS 16.73(d)	Balance 1 January 2009	7,697	19,362	5,579	2,594	35,232
IAS 16.73(e)(i)	Additions	-	26	-	-	26
IAS 16.73(e)(iii)	Acquisition through business combination	730	1,221	2,306	365	4,622
IAS 16.73(e)(ii)	Disposals	-	(156)	-	-	(156)
IAS 16.73(e)(iv)	Revaluation increase	-	-	-	-	-
IAS 16.73(e)(viii)	Net exchange differences	(15)	(57)	(55)	(38)	(165)
IAS 16.73(d)	Balance 30 June 2009	8,412	20,396	7,830	2,921	39,559
	Depreciation and impairment					
IAS 16.73(d)	Balance 1 January 2009	-	(12,159)	(1,503)	(923)	(14,585)
IAS 16.73(e)(ii)	Disposals	-	145	-	-	145
IAS 16.73(e)(viii)	Net exchange differences	-	(38)	(37)	(26)	(101)
IAS 16.73(e)(vii)	Depreciation	-	(661)	(446)	(271)	(1,378)
IAS 16.73(d)	Balance 30 June 2009	-	(12,713)	(1,986)	(1,220)	(15,919)
	Carrying amount 30 June 2009	8,412	7,683	5,844	1,701	23,640

[4] In this Publication, this information is considered a necessary disclosure. Depending on the circumstances, this type of disclosure might be regarded either as voluntary or as necessary to meet the general requirements of IAS 34.16(c). Other examples of disclosures that maybe required by IAS 34.16 are included in IAS 34.17.

		Land CU000	Buildings CU000	IT equip-ment CU000	Other equip-ment CU000	Total CU000
	Gross carrying amount					
IAS 16.73(d)	Balance 1 January 2009	7,697	19,362	5,579	2,594	35,232
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 2009	8,709	20,177	7,806	2,905	39,597
	Depreciation and impairment					
IAS 16.73(d)	Balance 1 January 2009	-	(12,159)	(1,503)	(923)	(14,585)
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 2009	-	(13,213)	(2,446)	(1,499)	(17,158)
	Carrying amount 31 December 2009	8,709	6,964	5,360	1,406	22,439

7 Additions and disposals of intangible assets

IAS 34.16(c) The following tables show the significant additions and disposals to intangible assets[4].

		Acquired software licenses CU000	Internally generated software CU000	Brand names CU000	Customer lists CU000	Total CU000
IAS 38.118	**Gross carrying amount**					
	Balance at 1 January 2010	16,469	17,968	975	1,761	37,173
IAS 38.118(e)(i)	Addition, separately acquired	320	-	-	-	320
	Addition, internally developed	-	2,150	-	-	2,150
	Acquisition through business combination	5,850	-	1,250	1,485	8,585
IAS 38.118(e)(ii)	Disposals	-	-	-	-	-
IAS 38.118(e)(vii)	Net exchange differences	(75)	(65)	-	-	(140)
	Balance at 30 June 2010	22,564	20,053	2,225	3,246	48,088
	Amortisation and impairment					
	Balance at 1 January 2010	(7,739)	(11,602)	(287)	(199)	(19,827)
IAS 38.118(e)(vi)	Amortisation	(1,283)	(765)	(86)	(116)	(2,250)
IAS 38.118(e)(iv)	Impairment losses	-	-	-	-	-
IAS 38.118(e)(ii)	Disposals	-	-	-	-	-
IAS 38.118(e)(vii)	Net exchange differences	(52)	(46)	-	-	(98)
	Balance at 30 June 2010	(9,074)	(12,413)	(373)	(315)	(22,175)
	Carrying amount 30 June 2010	13,490	7,640	1,852	2,931	25,913

		Acquired software licenses CU000	Internally generated software CU000	Brand names CU000	Customer lists CU000	Total CU000
IAS 38.118	**Gross carrying amount**					
	Balance at 1 January 2009	13,608	14,716	760	374	29,458
IAS 38.118(e)(i)	Addition, separately acquired	120	-	-	-	120
	Addition, internally developed	-	2,650	-	-	2,650
	Acquisition through business combination	3,653	-	215	1,387	5,255
IAS 38.118(e)(ii)	Disposals	-	-	-	-	-
IAS 38.118(e)(vii)	Net exchange differences	(51)	(38)	-	-	(89)
	Balance at 30 June 2009	17,330	17,328	975	1,761	37,394
	Amortisation and impairment					
	Balance at 1 January 2009	(6,063)	(9,381)	(162)	(89)	(15,695)
IAS 38.118(e)(vi)	Amortisation	(1,017)	(645)	(63)	(55)	(1,780)
IAS 38.118(e)(iv)	Impairment losses	-	-	-	-	-
IAS 38.118(e)(ii)	Disposals	-	-	-	-	-
IAS 38.118(e)(vii)	Net exchange differences	(34)	(25)	-	-	(59)
	Balance at 30 June 2009	(7,114)	(10,051)	(225)	(144)	(17,534)
	Carrying amount 30 June 2009	10,216	7,277	750	1,617	19,860

		Acquired software licenses CU000	Internally generated software CU000	Brand names CU000	Customer lists CU000	Total CU000
IAS 38.118	**Gross carrying amount**					
	Balance at 1 January 2009	13,608	14,716	760	374	29,458
IAS 38.118(e)(i)	Addition, separately acquired	440	-	-	-	440
	Addition, internally developed	-	3,306	-	-	3,306
	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 2009	16,469	17,968	975	1,761	37,173
	Amortisation and impairment					
	Balance at 1 January 2009	(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 2009	(7,739)	(11,602)	(287)	(199)	(19,827)
	Carrying amount 31 December 2009	8,730	6,366	688	1,562	17,346

8 Earnings per share

IAS 34.16(c) Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company (Illustrative Corporation) as the numerator, ie no adjustments to profits were necessary during the six months period to 30 June 2010 and 2009 and the year ended 31 December 2009[4].

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Amounts in thousand shares:	**6 months to 30 June 2010**	**6 months to 30 June 2009**	**Year to 31 December 2009**
	Weighted average number of shares used in basic earnings per share	14,970	12,270	12,520
IAS 33.70(b)	Shares deemed to be issued for no consideration in respect of share-based payments	14	16	17
	Weighted average number of shares used in diluted earnings per share	14,984	12,286	12,537

9 Seasonal fluctuations

IAS 34.16(b) Demand for maintenance and installation of IT and telecommunication systems and equipment is subject to seasonal fluctuations. Historically, peak demand is in the second half of each year. Revenue for maintenance and installation for the six months ended 30 June 2010 represented 66% of the annual level of maintenance and installation revenue in the year ended 31 December 2009. For the six months ended 30 June 2009, the level of maintenance and installation revenue represented approximately 43% of the annual level of maintenance and installation revenue in the year ended 31 December 2009. The percentage of revenues for the first six months ended 30 June 2010 is higher than the 2009 percentage due to the effect of the full six months revenue contribution in 2010 of the subsidiary acquired by the Group in March 2009 and the additional three months revenues contributed by the subsidiary acquired in 2010 (See Note 13). Excluding these incremental revenues, the 30 June 2010 revenues represent approximately 45% of the annual level of maintenance and installation revenue in the year ended 31 December 2009.

10 Share issue

IAS 34.16(e) During the first six months of 2010, 350,000 shares were issued to satisfy share options previously granted under the Group's employee share option scheme. During this period, the weighted average share price at the date of exercise was CU 12.00 (during the first six months of 2009: CU 10.50; 2009: CU 11.00).

The Group issued 1,700,000 shares on 1 April 2010, corresponding to 13.9% of total shares issued. Each share has the same right to receive dividends and the repayment of capital and represents one vote at the shareholders' meeting of Illustrative Corporation.

Shares issued and authorised are summarised as follows:

		6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	Amounts in thousand shares:			
IAS 1.79(a)(iv)	Shares issued and fully paid:			
	Beginning of the period	13,770	12,000	12,000
	Issued under share-based payment plans	350	270	270
	Share issue	1,700	-	1,500
IAS 1.79(a)(ii)	Shares issued and fully paid	15,820	12,270	13,770
	Shares authorised for share based payments	600	600	600
IAS 1.79(a)(i)	Total shares authorised at the end of the period	16,420	12,870	14,370

11 Dividends

IAS 34.16(f)

During the first six months of 2010, Illustrative Corporation paid dividends of CU 6,855,000 to its equity shareholders (first six months of 2009: CU 3,000,000; 2009: CU 3,000,000). This represents a payment of CU 0.50 per share (first six months of 2009: CU 0.25; 2009: CU 0.25). No dividends were paid on new shares issued in 2010 pursuant to the Group's share-based payment scheme.

12 Contingent liabilities

IAS 34.16(j)

During the prior year various warranty and legal claims were brought against the Group. At 30 June 2009 and 31 December 2009 management considered these claims to be unjustified and no provision had been recognised. During the current period the counterparties withdrew their claims against the Group.

13 Business combination

IAS 34.16(i)
IFRS 3.B64 (a)-(d)

On 5 April 2010, the Group acquired 100% of the issued share capital and voting rights of Sysmagic Limited, a company based in the United Kingdom that operates within the service segment. The objective of the acquisition is to further increase the Group's market share in providing customised IT and telecommunication systems services. The purchase price, which was settled in cash, amounted to CU 18,500,000.[5]

[5] IAS 34.16(i) states that disclosures of a business combination includes the information required by IFRS 3 *Business Combinations* (paragraphs 59-63 and the related application guidance).

IFRS 3.B67(a) The determination of the fair values of the assets and liabilities of Sysmagic Limited has been determined only provisionally at 30 June 2010, because the acquisition was completed late in the period and the Group is currently obtaining

IFRS 3.B64(i) the information necessary to finalise the valuation of certain items. The amounts provisionally recognised for each class of the acquiree's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows:

		Pre-acquisition carrying amount	**Adjust-ment to fair value**	**Recognised at acquisition date**
		CU000	**CU000**	**CU000**
	Property, plant and equipment	5,468	350	5,818
	Intangible assets	7,345	1,240	8,585
	Total non-current assets	12,813	1,590	14,403
	Inventories	7,845	(345)	7,500
	Trade and other receivables	4,569	(120)	4,449
IAS 7.40(c)	Cash and cash equivalents	324	-	324
	Total current assets	12,738	(465)	12,273
	Borrowings	(2,543)	-	(2,543)
	Deferred tax liabilities	(1,335)	-	(1,335)
	Total non-current liabilities	(3,878)	-	(3,878)
	Provisions	(540)	(240)	(780)
	Other liabilities	(1,855)	-	(1,855)
	Trade and other payables	(4,165)	-	(4,165)
	Total current liabilities	(6,560)	(240)	(6,800)
	Net identifiable assets and liabilities	15,113	885	15,998
	Goodwill on acquisition			2,502
IFRS 3.B64(f)(i)	Consideration transferred, satisfied in cash			18,500
IAS 7.40(c)	Cash and cash equivalents acquired			(324)
IAS 7.42	Net cash outflow on acquisition			18,176

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 4,449,000, with a gross contractual amount of CU 4,569,000. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to CU 120,000.

IFRS 3.B64(m) Acquisition-related costs amounting to CU 304,000 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.'

IFRS 3.B64(k) The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of Sysmagic Limited which cannot be recognised as an intangible asset. Goodwill has been allocated to cash-generating units at 30 June 2010, and is attributable to the

IFRS 3.B64(e) service segment. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

IFRS 3.B64(q)(i)

IFRS 3.B64(q)(ii)

Sysmagic Limited has contributed CU 12,232,000 and CU 1,954,000 to the Group's revenues and profits, respectively from the date of the acquisition to 30 June 2010. Had the acquisition occurred on 1 January 2010, the Group's revenue for the period to 30 June 2010 would have been CU 128,386,000 and the Group's profit for the period would have been CU 15,755,000. Management does not expect any major line of business to be disposed of as a result of the combination.

14 Additions to and impairment of goodwill

IAS 34.16(c) The following table shows the significant additions to and impairment of goodwill.[6]

		6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
IFRS 3.B67(d)		CU000	CU000	CU000
	Gross carrying amount			
IFRS 3.B67(d)(i)	Balance, beginning of the period	6,030	3,727	3,727
IFRS 3.B67(d)(ii)	Acquired through business combination	2,502	2,438	2,438
IFRS 3.B67(d)(vi)	Net exchange difference	(146)	(95)	(135)
IFRS 3.B67(d)(viii)	Balance, end of the period	8,386	6,070	6,030
	Accumulated impairment			
IFRS 3.B67(d)(i)	Balance, beginning of the period	(989)	(190)	(190)
IFRS 3.B67(d)(v)	Impairment loss recognised	-	-	(799)
IFRS 3.B67(d)(vi)	Net exchange difference	-	-	-
IFRS 3.B67(d)(viii)	Balance, end of the period	(989)	(190)	(989)
	Carrying amount at the end of the period	7,397	5,880	5,041

15 Provisions

IAS 34.16(d) A restructuring provision was recognised by the Group in its annual financial statements as at 31 December 2009 in relation to the 'Phoenix Programme,' amounting to CU 1,215,000. The estimate of the restructuring provision was reduced by CU 455,000 in the six months ended 30 June 2010 due to a positive outcome of claims brought against the Group by former employees. The Group's management still expects to settle the remaining termination remuneration in 2010, predominantly through out of court settlements.

[6] In addition to the requirement of IAS 34.16(c) to disclose the nature and amount of items affecting assets that are unusual because of their nature, size or incidence, this disclosure is also part of the required disclosure under IFRS 3 *Business Combinations* for the business combination that occurred in the current interim period.

16 Discontinued operations and non-current assets held for sale

IAS 34.16(i) The amounts presented in the income statement under discontinued operations relate to Highstreet Ltd, which was sold on 30 September 2009. No component of the entity has been presented as a discontinued operation in the income statement for the six months ended 30 June 2010 except for the gain on sale of assets relating to Highstreet Ltd.

The former Highstreet storage facilities retained by the Group after the sale of Highstreet Ltd were sold in February 2010, and accordingly no assets are presented as held for sale at 30 June 2010. A gain of CU 96,000 was recognised in profit or loss.

17 Events after the reporting date

IAS 34.16(h)
IFRS 3.B66
IFRS 3.B64(f)(i)
IFRS 3.B64(f)(iv)
IFRS 3.B64(g)(ii)

On 29 July 2010 the group acquired 100% of the issued share capital of Servers.com Limited (Servers.com), a company based in Euroland. The purchase price was settled in cash and by issuing 500,000 shares of Illustrative Corporation. The purchase agreement also provides for additional consideration amounting to CU 1,500,000 if the average profits of Servers.com for 2010 and 2011 exceeds a target level agreed by both parties. The additional consideration will be paid on 30 July 2012. The total fair value of the consideration transferred is as follows:

	CU000
Equity shares issued	6,250
Purchase price, settled in cash	7,000
Fair value of contingent consideration	620
Total fair value of consideration transferred	13,870

IFRS 3.B64(f)(iv) The fair value of the equity shares issued was based on the market value of the Group's traded equity shares at the date of acquisition.

IFRS 3.B64(g)(iii) The fair value of the contingent consideration represents the Group's estimate of the probable cash outflows (ie reflecting management's estimate of a 50% probability that the targets will be achieved) discounted using an interest rate of 10%.[7]

IFRS 3.B66 The Group is in the process of determining the fair values of the acquired assets and assumed liabilities of Servers.com and therefore disclosure of the purchase price allocation cannot be made. Finalisation of the valuation is expected to be completed before year-end.

[7] 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 to estimating the fair value of the contingent consideration.

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Registered number: 05523714
Registered office: Regent's Place (7th Floor), 338 Euston Road, London NW1 3BG, UK