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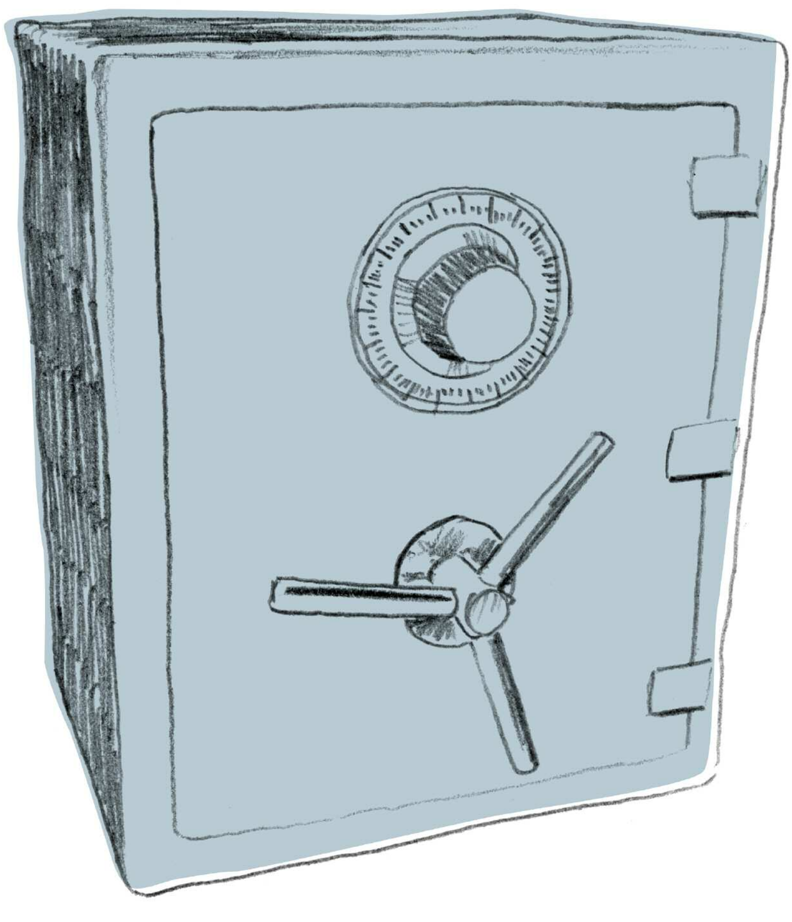
EXAMPLE INTERIM CONSOLIDATED FINANCIAL STATEMENTS 2012

# Illustrative Corporation Group
# 30 June 2012



# Introduction

### Example Interim Consolidated Financial Statements 2012

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 2012' (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 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 2012. It is based on the activities and results of Illustrative Corporation and its subsidiaries (together the Group) – a fictional consulting, service and retail entity that has been preparing IFRS financial statements for several years. The Group produces half-yearly interim financial reports in accordance with IAS 34 'Interim Financial Reporting' (IAS 34) at 30 June 2012.

The Publication has been reviewed and updated to reflect changes in IFRSs that are effective for the year ending 31 December 2012. This Publication also reflects the early-adoption of 'Presentation of Items of Other Comprehensive Income' (Amendments to IAS 1) which is effective for annual periods beginning on or after 1 July 2012.

### 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 is presented in the interim financial report, the form and content of those financial statements are required to conform to the requirements of IAS 1 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 local requirements usually impose interim reporting deadlines and may require disclosure of specified information. This may be presented either in the financial statements or in an accompanying narrative report, eg financial and other highlights, chairman's statement, operating and financial review and specific qualitative and quantitative disclosures (collectively referred to as 'management commentary').

In December 2010, the IASB published the IFRS Practice Statement 'Management Commentary – A framework for presentation'. This provides a broad framework of principles, qualitative characteristics and recommended contents for high quality management commentary. Although the use of this Practice Statement is not mandatory, it may be used by regulators and others to benchmark the quality of the information presented and so its guidance should be considered.

Management commentary and other regulatory 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 2012' 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 2012

# Example Interim Consolidated Financial Statements 2012: International Financial Reporting Standards (IFRS)

# Contents

# Contents of interim financial statements

Paragraph 8 of IAS 34 'Interim Financial Reporting', requires that condensed interim financial statements contain at 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:

- 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 2011'[1].

IAS 1 'Presentation of Financial Statements' 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 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 reflects this practice, with three periods for each primary statement and associated notes.

**Summary of requirements (IAS 34.A2)**

| | 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] In September 2011, the Grant Thornton International IFRS Team published the 'Example Consolidated Financial Statements 2011', providing an example of a full set of annual IFRS financial statements.

# Consolidated statement of financial position

| | | Notes | 30 June 2012 CU'000 | 30 June 2011 CU'000 | 31 Dec 2011 CU'000 |
|---|---|---|---|---|---|
| IAS 1.51(c) IAS 1.51(d-e) | | | | | |
| | **Assets** | | | | |
| IAS 1.66 | **Non-current** | | | | |
| IAS 1.57 | Goodwill | 9 | **7,397** | 5,880 | 5,041 |
| IAS 1.54(c) | Other intangible assets | 10 | **25,950** | 19,973 | 17,424 |
| IAS 1.54(a) | Property, plant and equipment | 11 | **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 | | **76,637** | **65,904** | **61,761** |
| 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 1.54(d)/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 | 34,789 |
| IAS 1.60 | Current assets | | **105,158** | **63,493** | **88,203** |
| IAS 1.54(j) | Assets included in disposal group classified as held for sale | 12 | **–** | 3,236 | 103 |
| IAS 1.55 | **Total assets** | | **181,795** | **132,633** | **150,067** |

**Guidance note: Consolidated statement of financial position**

IAS 34.10 requires the interim statement to include, at 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 may be 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 2012 CU'000 | 30 June 2011 CU'000 | 31 Dec 2011 CU'000 |
|---|---|---|---|---|---|
| IAS 1.51(c) IAS 1.51(d-e) | | | | | |
| | **Equity and liabilities** | | | | |
| | **Equity** | | | | |
| IAS 1.54(r) | Share capital | 14 | **15,820** | 12,270 | 13,770 |
| IAS 1.78(e) | Share premium | | **40,045** | 4,465 | 19,645 |
| IAS 1.78(e) | Other components of equity | 16 | **650** | 327 | 621 |
| IAS 1.54(r) | Retained earnings | | **56,404** | 39,196 | 49,165 |
| | Equity attributable to owners of the parent | | **112,919** | **56,258** | **83,201** |
| IAS 1.54(q) | Non-controlling interest | | **780** | 649 | 713 |
| IAS 1.55 | **Total equity** | | **113,699** | **56,907** | **83,914** |
| | **Liabilities** | | | | |
| IAS 1.60/69 | **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 1.54(o)/56 | Deferred tax liabilities | | **6,241** | 4,847 | 5,397 |
| IAS 1.55 | Other liabilities | | **1,854** | 2,057 | 2,020 |
| IAS 1.55 | Non-current liabilities | | **44,793** | **43,865** | **43,737** |
| IAS 1.60/69 | **Current** | | | | |
| IAS 1.54(l) | Provisions | 17 | **615** | 2,280 | 1,215 |
| IAS 1.55 | Pension and other employee obligations | | **1,625** | 1,398 | 1,467 |
| IAS 1.54(m) | Borrowings | | **3,986** | 4,655 | 4,815 |
| IAS 1.54(k) | Trade and other payables | | **10,466** | 18,891 | 9,059 |
| IAS 1.54(n) | Current tax liabilities | | **3,325** | 1,094 | 3,102 |
| IAS 1.55 | Other liabilities | | **3,286** | 3,160 | 2,758 |
| IAS 1.55 | Current liabilities | | **23,303** | **31,478** | **22,416** |
| IFRS 5.38, IAS 1.54(p) | Liabilities included in disposal group held for sale | | **–** | 383 | – |
| IAS 1.55 | **Total liabilities** | | **68,096** | **75,726** | **66,153** |
| IAS 1.55 | **Total equity and liabilities** | | **181,795** | **132,633** | **150,067** |

# Consolidated income statement

| | | Notes | 6 mths to 30 June 2012 CU'000 | 6 mths to 30 June 2011 CU'000 | Year to 31 Dec 2011 CU'000 |
|---|---|---|---|---|---|
| IAS 1.51(c) / IAS 1.51(d-e) | | | | | |
| IAS 1.82(a) | Revenue | 8 | **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 |
| | Depreciation, amortisation and impairment of non-financial assets | | **(3,906)** | (3,158) | (7,942) |
| IAS 1.85 | Other expenses | | **(4,879)** | (5,848) | (12,722) |
| | **Operating profit** | | **18,317** | **7,505** | **21,619** |
| IAS 1.82(c) | Share of profit from equity accounted investments | | **45** | 29 | 60 |
| IAS 1.82(b) | Finance costs | | **(1,547)** | (1,585) | (3,473) |
| IAS 1.85 | Finance income | | **1,050** | 465 | 994 |
| IAS 1.85 | Other financial items | | **1,878** | 1,583 | 3,388 |
| | **Profit before tax** | | **19,743** | **7,997** | **22,588** |
| IAS 1.82(d) | Tax expense | | **(5,945)** | (2,458) | (7,132) |
| | **Profit for the period from continuing operations** | | **13,798** | **5,539** | **15,456** |
| IAS 1.82(ea) | Profit (loss) for the period from discontinued operations | 12 | **96** | 8 | (9) |
| IAS 1.55 | **Profit for the period** | | **13,894** | **5,547** | **15,447** |
| | **Profit for the period attributable to:** | | | | |
| IAS 1.83(a)(i) | Non-controlling interests | | **67** | 57 | 121 |
| IAS 1.83(a)(ii) | Owners of the parent | | **13,827** | 5,490 | 15,326 |
| | | | **13,894** | **5,547** | **15,447** |
| IAS 34.11/11A | **Earnings per share** | 13 | **CU** | **CU** | **CU** |
| IAS 33.67A | Basic earnings per share | | | | |
| IAS 33.66 | – Earnings from continuing operations | | **0.92** | 0.45 | 1.22 |
| IAS 33.68A | – Earnings from discontinued operations | | **0.01** | – | – |
| IAS 33.66 | **Total** | | **0.93** | **0.45** | **1.22** |
| IAS 33.67A | Diluted earnings per share | | | | |
| IAS 33.66 | – Earnings from continuing operations | | **0.92** | 0.45 | 1.22 |
| IAS 33.68A | – Earnings from discontinued operations | | **0.01** | – | – |
| IAS 33.66 | **Total** | | **0.93** | **0.45** | **1.22** |

**Guidance note: Consolidated income statement**

IAS 34.10 requires the interim statement to include, at 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)-(ea) provides a list of the minimum items to be presented in the profit or loss section (when an entity presents a single statement of comprehensive income) or in the statement displaying components of profit or loss (when an entity presents a separate income statement and a separate statement of comprehensive income, as in this Publication).

There may be situations where additional line items, headings and subtotals need to be included. IAS 1.85 requires an entity to present such additional items 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 within the interim financial statements.

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). When an entity presents items of profit or loss in a separate statement, it presents basic and diluted earnings per share in that statement (IAS 33.67A). The figure for discontinued operations is required to be shown, in the annual financial statements, either on the face of the income statement or in the notes to those financial statements (IAS 33.68). Where an entity presents items of profit or loss in a separate statement, it presents basic and diluted earnings per share for the discontinued operations in that separate statement or in the notes (IAS 33.68A).

IAS 34 does not specify which figures should be reported. However in our opinion the earnings per share figures for total operations (at 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.

Where relevant, references to IAS 1 and other IFRS requirements are included on the left hand side of the consolidated income statement.

# Consolidated statement of comprehensive income

| | | Notes | 6 mths to 30 June 2012 CU'000 | 6 mths to 30 June 2011 CU'000 | Year to 31 Dec 2011 CU'000 |
|---|---|---|---|---|---|
| IAS 1.51(c) / IAS 1.51(d-e) | | | | | |
| IAS 1.81A | **Profit for the period** | | **13,894** | 5,547 | 15,447 |
| | **Other comprehensive income:** | | | | |
| IAS 1.82A(a) | **Items that will not be reclassified subsequently to profit or loss** | | | | |
| IAS 16.77(f) | Revaluation of land | | **–** | – | 303 |
| IAS 1.90/ 91(b) | Income tax relating to items not reclassified | 16 | **–** | – | 10 |
| IAS 1.82A(b) | **Items that will be reclassified subsequently to profit or loss** | | | | |
| | Cash flow hedging | | | | |
| IFRS 7.23(c-d) | – current period 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 period 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 1.82A | Share of other comprehensive income of equity accounted investments | | **–** | – | 5 |
| IAS 1.92 | – reclassification to profit or loss | | **–** | – | (3) |
| IAS 1.90/ 91(b) | Income tax relating to components of other comprehensive income | 16 | **173** | 125 | 75 |
| IAS 1.81A | **Other comprehensive income for the period, net of tax** | | **29** | **122** | **416** |
| IAS 1.81A | **Total comprehensive income for the period** | | **13,923** | **5,669** | **15,863** |
| | **Total comprehensive income for the period attributable to:** | | | | |
| IAS 1.81B(b)(i) | Non-controlling interest | | **67** | 57 | 121 |
| IAS 1.81B(b)(ii) | Owners of the parent | | **13,856** | 5,612 | 15,742 |
| | | | **13,923** | **5,669** | **15,863** |

**Guidance note: Consolidated statement of comprehensive income**

When an entity presents a separate statement of comprehensive income (as in this Publication), IAS 1.82A requires an entity to present line items for amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method).

'Presentation of Items of Other Comprehensive Income' further requires items to be grouped into those that will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met (IAS 1.82A).

IAS 1.87 precludes an entity from presenting any items of income or expense as extraordinary items, in the statement(s) presenting profit or loss and other comprehensive income, or in the notes.

According to IAS 1.90, an entity discloses the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments, either on the statement of profit or loss and other 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. As a result of 'Presentation of Items of Other Comprehensive Income' (discussed further in Note 3) when an entity selects alternative (b) of IAS 1.91, it shall allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section.

Where relevant, references to IAS 1 and other IFRS requirements are included on the left hand side of the consolidated statement of comprehensive income.

# Consolidated statement of changes in equity

| | | 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 2012** | **13,770** | **19,645** | **621** | **49,165** | **83,201** | **713** | **83,914** |
| | Dividends | – | – | – | (6,855) | (6,855) | – | (6,855) |
| | Issue of share capital under share-based payment scheme | 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 | – | – | – | 13,827 | 13,827 | 67 | 13,894 |
| IAS 1.106(d)(ii) | Other comprehensive income | – | – | 29 | – | 29 | – | 29 |
| IAS 1.106(a) | Total comprehensive income for the period | – | – | 29 | 13,827 | 13,856 | 67 | 13,923 |
| IAS 1.106(d) | **Balance at 30 June 2012** | **15,820** | **40,045** | **650** | **56,404** | **112,919** | **780** | **113,699** |
| IAS 1.106(d) | **Balance at 1 January 2011** | **12,000** | **3,050** | **205** | **36,541** | **51,796** | **592** | **52,388** |
| | Dividends | – | – | – | (3,000) | (3,000) | – | (3,000) |
| | Issue of share capital under share-based payment scheme | 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 | – | – | – | 5,490 | 5,490 | 57 | 5,547 |
| IAS 1.106(d)(ii) | Other comprehensive income | – | – | 122 | – | 122 | – | 122 |
| IAS 1.106(a) | Total comprehensive income for the period | – | – | 122 | 5,490 | 5,612 | 57 | 5,669 |
| IAS 1.106(d) | **Balance at 30 June 2011** | **12,270** | **4,465** | **327** | **39,196** | **56,258** | **649** | **56,907** |
| IAS 1.106(d) | **Balance at 1 January 2011** | **12,000** | **3,050** | **205** | **36,541** | **51,796** | **592** | **52,388** |
| | Dividends | – | – | – | (3,000) | (3,000) | – | (3,000) |
| | Issue of share capital under share-based payment scheme | 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 | – | – | – | 15,326 | 15,326 | 121 | 15,447 |
| IAS 1.106(d)(ii) | Other comprehensive income | – | – | 416 | – | 416 | – | 416 |
| IAS 1.106(a) | Total comprehensive income for the year | – | – | 416 | 15,326 | 15,742 | 121 | 15,863 |
| IAS 1.106(d) | **Balance at 31 December 2011** | **13,770** | **19,645** | **621** | **49,165** | **83,201** | **713** | **83,914** |

**Guidance note: Consolidated statement of changes in equity**

IAS 34.10 requires the interim statement to include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements while IAS 1.106 provides a list of the required items to be presented on the face of the statement of changes in equity.

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 (IAS 1.106(d)(ii) and IAS 1.106A). These example interim financial statements present the reconciliations for each component of other comprehensive income in the notes to the financial statements. This reduces duplicated disclosures and presents more clearly the overall 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.

# Consolidated statement of cash flows

| | | Notes | 6 mths to 30 June 2012 CU'000 | 6 mths to 30 June 2011 CU'000 | Year to 31 Dec 2011 CU'000 |
|---|---|---|---|---|---|
| IAS 1.51(c) IAS 1.51(d-e) | | | | | |
| IAS 7.10 | **Operating activities** | | | | |
| | Profit before tax | | **19,743** | 7,997 | 22,588 |
| | Adjustments for non-cash items | | **2,373** | 1,559 | 8,741 |
| | Contributions to defined benefit plans | | **(995)** | (616) | (1,186) |
| | Net changes in working capital | | **(394)** | 12,001 | (2,133) |
| | Settling of derivative financial instruments | | **–** | – | (33) |
| IAS 7.39 | Acquisition costs, expensed to profit or loss | 6 | **(304)** | – | – |
| IAS 7.35 | Taxes paid | | **(5,602)** | (577) | (1,948) |
| | **Net cash from continuing operations** | | **14,821** | **20,364** | **26,029** |
| IFRS 5.33(c) | Net cash from discontinued operations | | **–** | 18 | (22) |
| | **Net cash from operating activities** | | **14,821** | **20,382** | **26,007** |
| IAS 7.10 | **Investing activities** | | | | |
| | Purchase of property, plant and equipment | 11 | **(47)** | (26) | (76) |
| | Proceeds from disposals of property, plant and equipment | | **128** | 11 | 86 |
| | Purchase of other intangible assets | 10 | **(2,470)** | (2,805) | (3,666) |
| | Proceeds from disposals of other intangible assets | | **–** | – | 924 |
| IAS 7.39 | Acquisition of subsidiaries, net of cash | 6 | **(18,176)** | (15,714) | (15,714) |
| IAS 7.39 | Proceeds from sale of subsidiaries, net of cash | | **–** | – | 3,117 |
| | Proceeds from sale of assets classified as held for sale | | **199** | – | – |
| | 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) |
| | **Net cash used in investing activities** | | **(19,748)** | **(18,007)** | **(14,531)** |
| IAS 7.10 | **Financing activities** | | | | |
| | Proceeds from borrowings | | **–** | 1,441 | 1,441 |
| | Repayment of borrowings | | **(2,543)** | (3,478) | (3,778) |
| | Proceeds from issue of share capital | | **22,450** | 1,685 | 18,365 |
| IAS 7.31 | Interest paid | | **(473)** | (400) | (1,035) |
| IAS 7.31 | Dividends paid | 15 | **(6,855)** | (3,000) | (3,000) |
| | **Net cash from (used in) financing activities** | | **12,579** | **(3,752)** | **11,993** |
| IAS 7.45 | **Net change in cash and cash equivalents** | | **7,652** | (1,377) | 23,469 |
| | Cash and cash equivalents, beginning of period | | **34,789** | 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** | **34,789** |

**Guidance note: Consolidated statement of cash flows**

IAS 34.10 requires the interim statement to include, at 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.

# Notes to the Condensed Interim Consolidated Financial Statements

## 1. Nature of operations

Illustrative Corporation and subsidiaries' (together the Group) principal activities include the consulting, servicing and sale of customised IT and telecommunications 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 7 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 (the interim financial statements) are for the six months ended 30 June 2012 and are presented in currency (CU), which is the functional currency of the parent company. 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 2011.[2]

Illustrative Corporation Ltd (Illustrative Corporation) is the Group's ultimate parent company. It is a limited liability company incorporated and domiciled in Euroland. The address of its registered office and 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 interim financial statements have been approved for issue by the Board of Directors on [date].

**Guidance note: Notes to the interim consolidated 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 need not duplicate previously reported information (IAS 34.6). IAS 34.16A sets out the information to be disclosed in the notes to the condensed interim financial statements, if not disclosed elsewhere in the interim financial report.

In addition, IAS 34.15 requires disclosure of events and transactions that are significant to an understanding of the changes in the financial position and performance of an entity since the end of the last annual reporting period. The guidance includes some examples of events and transactions which may require disclosure, if significant (IAS 34.15B).

This example interim report presents selected explanatory notes that are intended to assist users in understanding the results of operations of the Group for the current interim period. As with any example, it 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.

The disclosures in the example notes to the interim 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.

[2] In September 2011, the Grant Thornton International IFRS Team published the 'Example Consolidated Financial Statements 2011', providing an example of a full set of annual IFRS financial statements.

## 3. Significant accounting policies

IAS 34.28
IAS 34.16A(a)

The interim financial statements have been prepared in accordance with the accounting policies[3] adopted in the Group's last annual financial statements for the year ended 31 December 2011[4], except for the early-adoption of 'Presentation of Items of Other Comprehensive Income' (Amendments to IAS 1) effective for annual periods beginning on or after 1 July 2012 (see below). The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

### Presentation of Items of Other Comprehensive Income

The Amendments to IAS 1 require entities to group items presented in other comprehensive income (OCI) into those that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. The existing option to present items of OCI either before tax or net of tax remains unchanged; however, if the items are presented before tax then the Amendments to IAS 1 require the tax related to each of the two groups of OCI to be shown separately.

## 4. Estimates

IAS 34.41
IAS 34.16A(d)

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

IAS 34.28
IAS 34.B12

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2011. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period[3].

## 5. Significant events and transactions

IAS 34.15
IAS 34.15C

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

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[3] 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).

[4] In September 2011, the Grant Thornton International IFRS Team published the 'Example Consolidated Financial Statements 2011', providing an example of a full set of annual IFRS financial statements.

- 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 2012 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.

## 6. Business combination

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

On 5 April 2012, the Group acquired 100% of the issued share capital and voting rights of Sysmagic Limited (Sysmagic), 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.[5]

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) IAS 7.40(a) | Amount settled in cash | 18,500 |
| IFRS 3.B64(i) | **Recognised amounts of identifiable net assets** | |
| IAS 7.40(d) | Property, plant and equipment | 5,818 |
| | Intangible assets | 8,585 |
| | Total non-current assets | **14,403** |
| | Inventories | 7,500 |
| | Trade and other receivables | 4,449 |
| IAS 7.40(c) | Cash and cash equivalents | 324 |
| | Total current assets | **12,273** |
| | Borrowings | (2,543) |
| | Deferred tax liabilities | (1,335) |
| | Total non-current liabilities | **(3,878)** |
| | Provisions | (780) |
| | Other liabilities | (1,855) |
| | Trade and other payables | (4,165) |
| | Total current liabilities | **(6,800)** |
| | **Identifiable net assets** | **15,998** |
| | **Goodwill on acquisition** | **2,502** |
| IAS 7.40(b) | Consideration transferred settled in cash | 18,500 |
| IAS 7.40(c) | Cash and cash equivalents acquired | (324) |
| IAS 7.42 | Net cash outflow on acquisition | **18,176** |
| | Acquisition costs charged to expenses | 304 |
| | **Net cash paid relating to the acquisition** | **18,480** |

[5] IAS 34.16A(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).

### Consideration transferred

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.

### Identifiable net assets

IFRS 3.B67(a) The fair values of the identifiable intangible assets has been determined provisionally at 30 June 2012, because the acquisition was completed late in the period. The Group is currently obtaining the information necessary to finalise its valuation.

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.

### Goodwill

IFRS 3.B64(e) IAS 36.133 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 which cannot be recognised as an intangible asset. Goodwill has been provisionally allocated to cash-generating units at 30 June 2012, and is attributable to the service segment. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

### Sysmagic's contribution to the Group results

IFRS 3.B64 (q)(i-ii) Sysmagic 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 2012. Had the acquisition occurred on 1 January 2012, the Group's revenue for the period to 30 June 2012 would have been CU 128,386,000 and the Group's profit for the period would have been CU 15,726,000.

## 7. Segment reporting

IAS 34.16A(g) Management identifies its operating segments based on the Group's service lines, which represent the main products and services provided by the Group. The Group's three main operating segments are:

- **consulting** – engaged in the sale, customisation and integration of IT and telecommunication systems
- **service** – involved in the maintenance of telecommunication systems
- **retail segment** – engaged in the sale of hardware and software products through the internet.

Each of these operating segments is managed separately as each service line 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 the sale and disposal of used IT equipment.

IAS 34.16A(g)(v) During the six month period to 30 June 2012, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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

| | 6 months to June 2012 | Consulting 2012 CU'000 | Service 2012 CU'000 | Retail 2012 CU'000 | Other 2012 CU'000 | Total 2012 CU'000 |
|---|---|---|---|---|---|---|
| | **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** | **16,977** | **2,827** | **2,175** | **112** | **22,091** |
| IFRS 8.23 | **Segment assets** | **73,817** | **28,146** | **48,028** | **3,037** | **153,028** |

| | 6 months to June 2011 | 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 | 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)** | **1,333** | **(24)** | **11,199** |
| IFRS 8.23 | **Segment assets** | **60,192** | **9,854** | **39,164** | **2,216** | **111,426** |

| | Year to 31 Dec 2011 | 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 |
| | 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** | **6,835** | **100** | **28,337** |
| IFRS 8.23 | **Segment assets** | **68,103** | **11,149** | **44,311** | **2,507** | **126,070** |

IAS 34.16A(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 mths to 30 June 2012 CU'000 | 6 mths to 30 June 2011 CU'000 | Year to 31 December 2011 CU'000 |
|---|---|---|---|
| IFRS 8.28(b) **Profit or loss** | | | |
| Total reporting segment operating profit | 21,979 | 11,223 | 28,237 |
| Other segment profit | 112 | (24) | 100 |
| 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 | (986) | (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** | **18,317** | **7,505** | **21,619** |
| Share of profits from equity accounted investments | 45 | 29 | 60 |
| Finance costs | (1,547) | (1,585) | (3,473) |
| Finance income | 1,050 | 465 | 994 |
| Other financial items | 1,878 | 1,583 | 3,388 |
| **Group profit before tax** | **19,743** | **7,997** | **22,588** |

## 8. Seasonal fluctuations

IAS 34.16A(b) The demand for maintenance and installation of IT and telecommunication systems and equipment (part of the consulting and service segments) is subject to seasonal fluctuations. Historically, peak demand is in the second half of each year. Revenues for maintenance and installation for the six months ended 30 June 2012 represented 66% (first six months of 2011: 43%) of the annual level of these revenues for the year ended 31 December 2011.

The percentage of the six-months revenues in 2012 is higher than 2011 due to the effect of the full six months revenue contribution in 2012 of the subsidiary acquired by the Group in March 2010 and the additional three months revenues contributed by a new subsidiary acquired in 2012 (see Note 6). Excluding these items, the revenues for the six months ended 30 June 2012 represent approximately 45% of the annual level of maintenance and installation revenues for the year ended 31 December 2011.

## 9. Goodwill

IAS 34.16A(c) The following table shows the movements in goodwill[6]:

| | | 6 mths to 30 June 2012 CU'000 | 6 mths to 30 June 2011 CU'000 | Year to 31 December 2011 CU'000 |
|---|---|---|---|---|
| IFRS 3.B67(d) | **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** |

## 10. Other intangible assets

IAS 34.16A(c) The following tables show the movements in intangible assets[7]:

| | | Acquired software licences CU'000 | Internally generated software CU'000 | Brand names CU'000 | Customer lists CU'000 | Total CU'000 |
|---|---|---|---|---|---|---|
| IAS 38.118 | **Gross carrying amount** | | | | | |
| | Balance at 1 January 2012 | 16,469 | 18,046 | 975 | 1,761 | 37,251 |
| 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 2012 | 22,564 | 20,131 | 2,225 | 3,246 | 48,166 |
| | **Amortisation and impairment** | | | | | |
| | Balance at 1 January 2012 | (7,739) | (11,602) | (287) | (199) | (19,827) |
| IAS 38.118(e)(vi) | Amortisation | (1,283) | (764) | (115) | (129) | (2,291) |
| 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 2012 | (9,074) | (12,412) | (402) | (328) | (22,216) |
| | **Carrying amount 30 June 2012** | **13,490** | **7,719** | **1,823** | **2,918** | **25,950** |

[6] In addition to the requirement of IAS 34.16A(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.

[7] In this Publication, this information is considered a necessary disclosure because of the significant additions and the impact of the business combination. Depending on the circumstances, this type of disclosure might be regarded either as voluntary or as necessary to meet the requirements of IAS 34.15C and IAS 34.16A(c). Other examples of events and transactions where IAS 34 requires disclosures are included in IAS 34.15B.

| | | Acquired software licences CU'000 | Internally generated 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 | 13,608 | 14,794 | 760 | 374 | 29,536 |
| IAS 38.118(e)(i) | Addition, separately acquired | 120 | – | – | – | 120 |
| | Addition, internally developed | – | 2,685 | – | – | 2,685 |
| | 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 2011 | 17,330 | 17,441 | 975 | 1,761 | 37,507 |
| | **Amortisation and impairment** | | | | | |
| | Balance at 1 January 2011 | (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 2011 | (7,114) | (10,051) | (225) | (144) | (17,534) |
| | **Carrying amount** | | | | | |
| | **30 June 2011** | **10,216** | **7,390** | **750** | **1,617** | **19,973** |

| | | Acquired software licences CU'000 | Internally generated 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 | 13,608 | 14,794 | 760 | 374 | 29,536 |
| 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 2011 | 16,469 | 18,046 | 975 | 1,761 | 37,251 |
| | **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** | **8,730** | **6,444** | **688** | **1,562** | **17,424** |

## 11. Property, plant and equipment

IAS 34.15B(d) IAS 34.16A(c) The following tables show the movements in property, plant and equipment[8]:

| | | Land CU'000 | Buildings CU'000 | IT equipment CU'000 | Other equipment CU'000 | Total CU'000 |
|---|---|---|---|---|---|---|
| | **Gross carrying amount** | | | | | |
| IAS 16.73(d) | Balance 1 January 2012 | 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 30 June 2012 | 8,694 | 22,547 | 10,306 | 3,271 | 44,818 |
| | **Depreciation and impairment** | | | | | |
| IAS 16.73(d) | Balance 1 January 2012 | – | (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 30 June 2012 | – | (13,969) | (3,103) | (1,465) | (18,537) |
| | **Carrying amount 30 June 2012** | **8,694** | **8,578** | **7,203** | **1,806** | **26,281** |

| | | Land CU'000 | Buildings CU'000 | IT equipment CU'000 | Other equipment CU'000 | Total CU'000 |
|---|---|---|---|---|---|---|
| | **Gross carrying amount** | | | | | |
| IAS 16.73(d) | Balance 1 January 2011 | 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 2011 | 8,412 | 20,396 | 7,830 | 2,921 | 39,559 |
| | **Depreciation and impairment** | | | | | |
| IAS 16.73(d) | Balance 1 January 2011 | – | (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 2011 | – | (12,713) | (1,986) | (1,220) | (15,919) |
| | **Carrying amount 30 June 2011** | **8,412** | **7,683** | **5,844** | **1,701** | **23,640** |

[8] In this Publication, this information is considered a necessary disclosure because of the significant additions and the impact of the business combination. Depending on the circumstances, this type of disclosure might be regarded either as voluntary or as necessary to meet the requirements of IAS 34.15C and IAS 34.16A(c). Other examples of events and transactions where IAS 34 requires disclosures are included in IAS 34.15B.

| | | 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 | 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 2011 | 8,709 | 20,177 | 7,806 | 2,905 | 39,597 |
| | **Depreciation and impairment** | | | | | |
| IAS 16.73(d) | Balance 1 January 2011 | – | (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 2011 | – | (13,213) | (2,446) | (1,499) | (17,158) |
| | **Carrying amount 31 December 2011** | **8,709** | **6,964** | **5,360** | **1,406** | **22,439** |

## 12. Discontinued operations and non-current assets held for sale

IAS 34.16A(i) The amounts presented in the income statement under discontinued operations relate to Highstreet Ltd. Most of its assets were sold on 30 September 2011. The remaining storage facility was sold in February 2012 and a gain of CU 96,000 is presented as discontinued operations for the period ended 30 June 2012.

## 13. Earnings per share

IAS 34.16A(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 2012 and 2011 and the year ended 31 December 2011[9].

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 mths to 30 June 2012 | 6 mths to 30 June 2011 | Year to 31 December 2011 |
|---|---|---|---|---|
| | 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] In this Publication, this information is considered a necessary disclosure because of the significant additions and the impact of the business combination. Depending on the circumstances, this type of disclosure might be regarded either as voluntary or as necessary to meet the requirements of IAS 34.15C and IAS 34.16A(c). Other examples of events and transactions where IAS 34 requires disclosures are included in IAS 34.15B.

## 14. Share capital

IAS 34.16A(e) During the first six months of 2012, 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 11.97 (during the first six months of 2011: CU 10.50 ; 2010: CU 11.19).

The Group also issued 1,700,000 shares on 1 April 2012 for cash, 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:

| | Amounts in thousand shares | 6 mths to 30 June 2012 | 6 mths to 30 June 2011 | Year to 31 December 2011 |
|---|---|---|---|---|
| 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** |

## 15. Dividends

IAS 34.16A(f) During the first six months of 2012, Illustrative Corporation paid dividends of CU 6,855,000 to its equity shareholders (first six months of 2011: CU 3,000,000; 2011: CU 3,000,000). This represents a payment of CU 0.50 per share (first six months of 2011: CU 0.25; 2010: CU 0.25). No dividends were paid on new shares issued in 2012 pursuant to the Group's share-based payment scheme.

## 16. Other components of equity

IAS 1.106(d)(ii)
IAS 1.106A
The following tables show the movements in other components of equity[10]:

| | | Translation reserve CU'000 | Revaluation reserve CU'000 | Available-for-sale financial assets CU'000 | Cash-flow hedges CU'000 | Total CU'000 |
|---|---|---|---|---|---|---|
| IAS 1.51(d-e) | | | | | | |
| IAS 1.106(d) | Balance at 1 January 2012 | (847) | 901 | 98 | 469 | 621 |
| | Cash flow hedges | | | | | |
| IFRS 7.23(c-d) | – current period gains (losses) | – | – | – | 215 | 215 |
| IAS 1.92 | – reclassification to profit or loss | – | – | – | 157 | 157 |
| IFRS 7.20(a)(ii) | Available-for-sale financial assets | | | | | |
| | – current period gains (losses) | – | – | 35 | – | 35 |
| IAS 1.92 | – reclassification to profit or loss | – | – | 24 | – | 24 |
| IAS 21.52(b) | Exchange differences on translating foreign operations | (575) | – | – | – | (575) |
| IAS 12.81(a) IAS 1.90 | Tax benefit | 173 | – | – | – | 173 |
| IAS 1.106(a) | Other comprehensive income for the period (all attributable to the parent) | **(402)** | **–** | **59** | **372** | **29** |
| IAS 1.106(d) | **Balance at 30 June 2012** | **(1,249)** | **901** | **157** | **841** | **650** |

[10] This type of disclosure is not specifically required by IAS 34. However, in this Publication, this information is considered necessary due to the change in the presentation of the reconciliations of each item of comprehensive income adopted in the 30 June 2011 'Example Interim Consolidated Financial Statements'.

| IAS 1.51(d-e) | | Translation reserve CU'000 | Revaluation reserve CU'000 | Available-for-sale financial assets CU'000 | Cash-flow hedges CU'000 | Total CU'000 |
|---|---|---|---|---|---|---|
| IAS 1.106(d) | Balance at 1 January 2011 | (359) | 689 | 35 | (160) | 205 |
| | Cash flow hedges | | | | | |
| IFRS 7.23(c-d) | – current period gains (losses) | – | – | – | 287 | 287 |
| IAS 1.92 | – reclassification to profit or loss | – | – | – | 178 | 178 |
| IFRS 7.20(a)(ii) | Available-for-sale financial assets | | | | | |
| | – current period gains (losses) | – | – | (22) | – | (22) |
| IAS 1.92 | – reclassification to profit or loss | – | – | (32) | – | (32) |
| IAS 21.52(b) | Exchange differences on | | | | | |
| | translating foreign operations | (414) | – | – | – | (414) |
| IAS 12.81(a) | Tax benefit | 125 | – | – | – | 125 |
| IAS 1.90 | | | | | | |
| IAS 1.106(a) | Other comprehensive income for the period (all attributable to the parent) | **(289)** | **–** | **(54)** | **465** | **122** |
| IAS 1.106(d) | **Balance at 30 June 2011** | **(648)** | **689** | **(19)** | **305** | **327** |

| IAS 1.51(d-e) | | Translation reserve CU'000 | Revaluation reserve CU'000 | Available-for-sale financial assets CU'000 | Cash-flow hedges CU'000 | Total CU'000 |
|---|---|---|---|---|---|---|
| IAS 1.106(d) | Balance at 1 January 2011 | (359) | 689 | 35 | (160) | 205 |
| IAS 16.77(f) | Revaluation of land | – | 303 | – | – | 303 |
| | Cash flow hedges | | | | | |
| IFRS 7.23(c-d) | – current period gains (losses) | – | – | – | 367 | 367 |
| IAS 1.92 | – reclassification to profit or loss | – | – | – | 260 | 260 |
| IFRS 7.20(a)(ii) | Available-for-sale financial assets | | | | | |
| | – current period gains (losses) | – | – | 113 | – | 113 |
| IAS 1.92 | – reclassification to profit or loss | – | – | (50) | – | (50) |
| IAS 21.52(b) | Exchange differences on | | | | | |
| | translating foreign operations | (664) | – | – | – | (664) |
| | Equity accounted investments | – | – | – | 5 | 5 |
| | – reclassification to profit or loss | – | – | – | (3) | (3) |
| IAS 12.81(a) | Tax benefit (expense) | 176 | (91) | – | – | 85 |
| IAS 1.90 | | | | | | |
| IAS 1.106(a) | Other comprehensive income for the period (all attributable to the parent) | **(488)** | **212** | **63** | **629** | **416** |
| IAS 1.106(d) | **Balance at 31 December 2011** | **(847)** | **901** | **98** | **469** | **621** |

## 17. Provisions

IAS 34.15B(c) A restructuring provision was recognised by the Group in its annual financial statements as at 31 December 2011 in relation to the 'Phoenix Programme,' amounting to CU 1,215,000. The estimate of the restructuring provision was reduced by CU 600,000 in the six months ended 30 June 2012 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 2012, predominantly through out of court settlements.

## 18. Contingent liabilities

IAS 34.15B(m) During the prior year, various warranty and legal claims were brought against the Group. At 31 December 2011, 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.

## 19. Events after the reporting date[11]

IAS 34.16A(h) IFRS 3.B66 IFRS 3.B64(a-d) On 29 July 2012 the group acquired 100% of the issued share capital of Servers.com Limited (Servers.com), a company based in Euroland. The objective of the acquisition is to expand the operations of the Group's retail segment.

IFRS 3.B64(f) (i, iii, iv) IFRS 3.B64(g)(ii) The acquisition was settled in cash and by issuing 500,000 shares of Illustrative Corporation. The purchase agreement also provides for an additional consideration of CU 1,500,000 payable if the average profits of Servers.com for 2012 and 2013 exceeds a target level agreed by both parties. Any additional consideration will be paid on 30 July 2014.

IFRS 3.B64(f) The fair value of the consideration transferred is as follows:

| | | CU'000 |
|---|---|---|
| IFRS 3.B64(iv) | Fair value of equity shares issued | 6,250 |
| IFRS 3.B64(i) | Amount settled in cash | 7,000 |
| IFRS 3.B64(g)(i) | Fair value of contingent consideration | 680 |
| | **Total** | **13,930** |

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 5%.[12]

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 fair values of the net identifiable assets and the goodwill arising from the acquisition cannot be made. Finalisation of the valuation is expected to be completed before year-end.

[11] IAS 34.16A(h) requires disclosure of events after the interim period that have not been reflected in the interim financial statements. IAS 34 does not specify the level of detail required. This example illustrates the disclosures required by IFRS 3 'Business Combinations' for combinations arising after the reporting date. Other approaches may also be acceptable.

[12] 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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