International GAAP Holdings Limited

Model financial statements for the year ended 31 December 2017

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Deloitte's IAS Plus (**www.iasplus.com**) is one of the most comprehensive sources of global financial reporting news on the Web. It is a central repository for information about International Financial Reporting Standards (IFRSs) as well as the activities of the International Accounting Standards Board (IASB). The site, which is also available in German, includes portals tailored to the United Kingdom and the United States, each with a focus on local GAAP and jurisdiction-specific corporate reporting requirements. Canadian portals in English and French have been added in 2015. They feature news and publications related to all Canadian financial reporting frameworks, including IFRS.

IAS Plus features:

- news about global financial reporting developments, presented intuitively with related news, publications, events and more;
- summaries of all standards, interpretations and projects, with complete histories of developments and standard-setter discussions together with related news and publications;
- rich jurisdiction-specific information, including background and financial reporting requirements, links to country-specific resources, related news and publications and a comprehensive history of the adoption of IFRSs around the world;
- detailed personalisation of the site, which is available by selecting particular topics of interest and viewing tailored views of the site;
- dedicated resource pages for research and education, sustainability and integrated reporting, accounting developments in Europe, global financial crisis, XBRL and Islamic accounting;
- important dates highlighted throughout the site for upcoming meetings, deadlines and more;
- a library of IFRS-related publications available for download and subscription including our popular *IFRS in Focus newsletter* and other publications;
- model IFRS financial statements and checklists, with many versions available tailored to specific jurisdictions;
- an extensive electronic library of both global and jurisdiction-specific IFRS resources;
- expert analysis and commentary from Deloitte subject matter experts, including webcasts, podcasts and interviews;
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- Deloitte commetn letters to the IASB and numerous other bodies; and
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Contents

Section 1 – New and revised IFRSs for 2017 annual financial statements and beyond

This section provides you with a high level summary of the new and revised IFRSs that are effective for 2017 and beyond. Specifically, this section covers the following:

- An overview of the amendments to IFRSs that are mandatorily effective for the year ending 31 December 2017; and
- An overview of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2017. For this purpose, the discussion below reflects IFRSs issued on or before 31 March 2017. When entities prepare financial statements for the year ending 31 December 2017, they should also consider and disclose the potential impact of the application of any new and revised IFRSs issued by the IASB after 31 March 2017 but before the financial statements are authorised for issue.

Section 1A: Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2017

The following amendments to IFRSs became mandatorily effective in the current year. The amendments generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

- Amendments to IAS 7 *Disclosure Initiative*;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*; and
- Amendments to IFRS 12 included in *Annual Improvements to IFRS Standards 2014-2016 Cycle*.

Amendments to IAS 7 Disclosure Initiative
(Effective for annual periods beginning on or after 1 January 2017)

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
(Effective for annual periods beginning on or after 1 January 2017)

The amendments clarify the following:

1. Unrealised losses on a debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively.

Amendments to IFRS 12 included in the 2014-2016 Annual Improvements Cycle
(Effective for annual periods beginning on or after 1 January 2017)

The 2014-2016 Annual Improvements Cycle includes amendments to a number of IFRSs, one of which is effective for annual periods beginning on or after 1 January 2017. See section 1B below for a summary of the other amendments included in this package that are not yet effective.

Standard	Subject of amendment	Details
IFRS 12 *Disclosure of Interests in Other Entities*	Clarification of the scope of the Standard	IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments apply retrospectively.

Section 1B: New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2017

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2017*:

- IFRS 9 *Financial Instruments*;
- IFRS 15 *Revenue from Contracts with Customers* and the related *Clarifications*;
- IFRS 16 *Leases*;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- Amendments to IAS 40 *Transfers of Investment Property*;
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*; and
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration.*

* *The IASB has also issued Amendments to IFRS 4* 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts', *which is effective for annual periods beginning on or after 1 January 2018; however, it is not applicable to International GAAP Holdings Limited as the Group does not issue any insurance contracts.*

IFRS 9 Financial Instruments (as revised in 2014)
(Effective for annual periods beginning on or after 1 January 2018)

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 *Financial Instruments: Recognition and Measurement* upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.

- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.

- all other debt instruments must be measured at FVTPL.

- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment of financial assets

The impairment model under IFRS 9 reflects <u>expected</u> credit losses, as opposed to <u>incurred</u> credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The work on macro hedging by the IASB is still at a preliminary stage – a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a comment period which ended in October 2014. The project is still under analysis at the time of writing.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets; ii) impairment of financial assets; and iii) hedge accounting. Please see IFRS 9 for details.

IFRS 15 Revenue from Contracts with Customers
(Effective for annual periods beginning on or after 1 January 2018)

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 *Revenue;*
- IAS 11 *Construction Contracts;*
- IFRIC 13 *Customer Loyalty Programmes;*
- IFRIC 15 *Agreements for the Construction of Real Estate;*
- IFRIC 18 *Transfers of Assets from Customers;* and
- SIC 31 *Revenue-Barter Transactions Involving Advertising Services*.

As suggested by the title of the new Revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 (or IFRS 9 if it is early adopted).

As mentioned above, the new Revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new Revenue Standard introduces a 5-step approach to revenue recognition and measurement:

Far more prescriptive guidance has been introduced by the new Revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.
- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.
- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

Extensive disclosures are also required by the new Standard.

In April 2016, the IASB issued *Clarifications to IFRS 15* in response to feedback received by the IASB|FASB Joint Transition Resource Group for Revenue Recognition, which was formed to address potential issues associated with the implementation of IFRS 15 and the US GAAP equivalent, ASC topic 606. The *Clarifications to IFRS 15* clarified the following areas:

- Identifying performance obligations: by providing illustrative factors for consideration in assessing whether the promised goods or services are distinct;

- Principal versus agent considerations: by clarifying that an entity should assess whether it is a principal or agent for each distinct good or service promised to the customer, and by amending and reframing the indicators to assess whether an entity is a principal or agent; and

- Licensing application guidance: in determining whether the licence grants customers a right to use the underlying intellectual property ('IP') (which would result in point in time revenue recognition) or a right to access the IP (which would result in revenue recognition over time), an entity is required to determine whether (i) its ongoing activities are expected to significantly change the form or the functionality of the IP or (ii) the ability of the customer to obtain benefit from the IP is substantially derived from or dependent upon those activities.

Many entities across different industries will likely be affected by IFRS 15 (at least to a certain extent). In some cases, the changes may be substantial and may require changes to the existing IT systems and internal controls. Entities should consider the nature and extent of these changes.

For additional information, please refer to the Deloitte publications *IFRS in Focus* and *IFRS Industry Insights* which highlight the practical implications of IFRS 15 to various industries. These publications can be downloaded at http://www.iasplus.com/en/tag-types/global. More information regarding the *Clarifications to IFRS 15* can be found in the Deloitte *IFRS in Focus* publication at http://www.iasplus.com/en/publications/global/ifrs-in-focus/2016/ifrs-15-clarifications.

IFRS 15, together with the clarifications thereto issued in April 2016, is effective for reporting periods beginning on or after 1 January 2018 with early application permitted. Entities can choose to apply the Standard retrospectively or to use a modified transition approach, which is to apply the Standard retrospectively only to contracts that are not completed contracts at the date of initial application (for example, 1 January 2018 for an entity with a 31 December year-end). The *Clarifications to IFRS 15* also introduces additional practical expedients for entities transitioning to IFRS 15 on (i) contract modifications that occurred prior to the beginning of the earliest period presented and (ii) contracts that were completed at the beginning of the earliest period presented.

IFRS 16 Leases
(Effective for annual periods beginning on or after 1 January 2019)

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective date:

- IAS 17 *Leases*;

- IFRIC 4 *Determining whether an Arrangement contains a Lease*;

- SIC-15 *Operating Leases – Incentives*; and

- SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

Identification of a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

a) the right to obtain substantially all of the economic benefits from the use of an identified asset; and

b) the right to direct the use of that asset.

The Standard provides detailed guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution rights, and where the relevant decisions about how and for what purpose the asset is used are predetermined.

Lessee accounting

IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

Lessor accounting

In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease either as an operating lease or a finance lease.

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosures are also required by the new Standard.

Due to the prominence of leasing transactions in the economy, many entities across different industries will be affected by IFRS 16. In some cases, the changes may be substantial and may require changes to the existing IT systems and internal controls. Entities should consider the nature and extent of these changes.

For additional information, please refer to the Deloitte publications *IFRS in Focus* and *IFRS Industry Insights* which highlight the practical implications of IFRS 16 to various industries. These publications can be downloaded at http://www.iasplus.com/en/tag-types/global/newsletters/ifrs-industry-insights.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach. If the latter approach is selected, an entity is not required to restate the comparative information and the cumulative effect of initially applying IFRS 16 must be presented as an adjustment to opening retained earnings (or other component of equity as appropriate).

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
(Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

   (i) the original liability is derecognised;

   (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

   (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective for annual periods beginning on or after a date to be determined)

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture.
- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.

IFRS 10 has been amended to reflect the following:

- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted.

Amendments to IAS 40 Transfers of Investment Property (Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

Annual Improvements to IFRSs 2014 – 2016 Cycle (Effective for annual periods beginning on or after 1 January 2018)

The Annual Improvements include amendments to a number of IFRSs, which have been summarised below. The package also includes amendments to IFRS 12 *Disclosure of Interests in Other Entities*, which is effective for annual periods beginning on or after 1 January 2017 (see section 1A above for details).

Standard	Subject of amendment	Details
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Deletion of short-term exemptions for first-time adopters	The amendments delete certain short-term exemptions in IFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable.
IAS 28 *Investments in Associates and Joint Ventures*	Measuring an associate or joint venture at fair value	The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018)

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

Section 2 – Model financial statements for the year ended 31 December 2017

International GAAP Holdings Limited

The model financial statements of International GAAP Holdings Limited for the year ended 31 December 2017 are intended to illustrate the presentation and disclosure requirements of International Financial Reporting Standards (IFRSs). They also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided within a specific Standard.

International GAAP Holdings Limited is assumed to have presented financial statements in accordance with IFRSs for a number of years. Therefore, it is not a first-time adopter of IFRSs. Readers should refer to IFRS 1 *First-time Adoption of International Financial Reporting Standards* for specific requirements regarding an entity's first IFRS financial statements. It is further assumed that International GAAP Holdings Limited does not qualify as an investment entity as defined in IFRS 10.

The model financial statements illustrate the impact of the application of the amendments to IFRSs that were issued on or before 31 March 2017 and are mandatorily effective for the annual period beginning on 1 January 2017. Accordingly, the model financial statements do not illustrate the impact of the application of new and revised IFRSs that are not yet mandatorily effective on 1 January 2017.

The model financial statements do not include separate financial statements for the parent, which may be required by local laws or regulations, or may be prepared voluntarily. Where an entity presents separate financial statements that comply with IFRSs, the requirements of IAS 27 *Separate Financial Statements* (as revised in 2011) will apply. Separate statements of profit or loss and other comprehensive income, financial position, changes in equity and cash flows for the parent will generally be required, together with supporting notes. In addition, the model financial statements have been presented without regard to local laws or regulations. Preparers of financial statements will need to ensure that the options selected under IFRSs do not conflict with such sources of regulation (e.g. the revaluation of assets is not permitted under certain reporting regimes – but these financial statements illustrate the presentation and disclosures required when an entity adopts the revaluation model under IAS 16 *Property, Plant and Equipment*). In addition, local laws or securities regulations may specify disclosures in addition to those required by IFRSs (e.g. in relation to directors' remuneration). Preparers of financial statements will consequently need to adapt the model financial statements to comply with such additional local requirements.

Suggested disclosures are cross-referenced to the underlying requirements in the texts of the relevant Standards and Interpretations.

For the purposes of presenting the statements of profit or loss and other comprehensive income and cash flows, the alternatives allowed under IFRSs for those statements have been illustrated. Preparers should select the alternatives most appropriate to their circumstances and apply the chosen presentation method consistently.

Note that in these model financial statements, we have frequently included line items for which a nil amount is shown, so as to illustrate items that, although not applicable to International GAAP Holdings Limited, are commonly encountered in practice. This does not mean that we have illustrated all possible disclosures. Nor should it be taken to mean that entities are required to display line items for such 'nil' amounts in practice, especially in light of the amendments to IAS 1 *Disclosure Initiatives* which became effective in 2016.

Commentary:

As this is a set of illustrative financial statements which is not intended to address the specific operations and circumstances of all entities, no specific changes have been made to the grouping and/or ordering of the notes to take the amendments to IAS 1 Disclosure Initiatives *into account. Furthermore, items that may be considered immaterial or with nil amounts have continued to be disclosed solely for illustrative purposes. Nevertheless, entities should exercise judgement when considering how to apply the disclosure initiative amendments to IAS 1 in order to provide relevant information to users and to enhance the understandability and comparability of its financial statements, taking into account jurisdictional regulatory requirements where appropriate.*

In addition, the IASB issued the exposure draft of IFRS Practice Statement: Application of Materiality to Financial Statements *in October 2016 which is intended to provide additional guidance on the application of materiality to financial statements, and to assist entities in exercising judgement in this regard. The final version of this non-authoritative guidance is not yet published at the time of writing.*

Furthermore, the IASB also published the Disclosure Initiative–Principles of Disclosure *discussion paper (the 'DP') in March 2017 with the aim of improving financial statement disclosures. In the DP, the IASB gives its preliminary views on various disclosure principles, including which accounting policies should be disclosed and where to disclose them, as well as where significant judgements and assumptions should be disclosed. The comment period to the DP ends in October 2017.*

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IAS 1.10(b), (ea), 51(b),(c)	**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017**			**[Alt 1]**
IAS 1.113		Notes	Year ended 31/12/17	Year ended 31/12/16
IAS 1.51(d),(e)			CU'000	CU'000
	Continuing operations			
IAS 1.82(a)	Revenue	5	140,934	152,075
IAS 1.99	Cost of sales	24	(87,688)	(91,645)
IAS 1.85	Gross profit		53,246	60,430
IAS 1.85	Investment income	7	3,633	2,396
IAS 1.85	Other gains and losses	8	647	1,005
IAS 1.99	Distribution expenses		(5,118)	(4,640)
IAS 1.99	Marketing expenses		(3,278)	(2,234)
IAS 1.99	Administration expenses		(13,376)	(17,514)
	Other expenses		(2,801)	(2,612)
IAS 1.82(b)	Finance costs	9	(4,420)	(6,025)
IAS 1.82(c)	Share of profit of associates	20	866	1,209
IAS 1.82(c)	Share of profit of a joint venture	20A	337	242
IAS 1.85	Gain recognised on disposal of interest in former associate	20	581	–
IAS 1.85	Others [describe]		–	–
IAS 1.85	Profit before tax		30,317	32,257
IAS 1.82(d)	Income tax expense	10	(11,485)	(11,668)
IAS 1.85	Profit for the year from continuing operations	13	18,832	20,589
	Discontinued operations			
IAS 1.82(ea) IFRS 5.33(a)	Profit for the year from discontinued operations	11	8,310	9,995
IAS 1.81A(a)	**PROFIT FOR THE YEAR**		27,142	30,584

Source	International GAAP Holdings Limited			
IAS 1.10(b), (ea), 51(b),(c)	**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017**			**[Alt 1]**
IAS 1.113		Notes	Year ended 31/12/17	Year ended 31/12/16
IAS 1.91(a)	**Other comprehensive income, net of income tax**	29		
	Items that will not be reclassified subsequently to profit or loss:			
IAS 1.82A(a)(i)	Gain on revaluation of property		1,150	–
IAS 1.82A(b)(i)	Share of other comprehensive income of associates		–	–
IAS 1.82A(a)(i)	Remeasurement of defined benefit obligation		564	134
	Others (please specify)		–	–
			1,714	134
	Items that may be reclassified subsequently to profit or loss:			
IAS 1.82A(a)(ii)	Exchange differences on translating foreign operations		(39)	85
IAS 1.82A(a)(ii)	Net fair value gain on available-for-sale financial assets		66	57
IAS 1.82A(a)(ii)	Net fair value gain on hedging instruments entered into for cash flow hedges		39	20
	Others (please specify)		–	–
			66	162
IAS 1.81A(b)	Other comprehensive income for the year, net of income tax		1,780	296
IAS 1.81A(c)	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		28,922	30,880
	Profit for the year attributable to:			
IAS 1.81B(a)(ii)	Owners of the Company		22,750	27,357
IAS 1.81B(a)(i)	Non-controlling interests		4,392	3,227
			27,142	30,584
	Total comprehensive income for the year attributable to:			
IAS 1.81B(b)(ii)	Owners of the Company		24,530	27,653
IAS 1.81B(b)(i)	Non-controlling interests		4,392	3,227
			28,922	30,880
	Earnings per share	14		
	From continuing and discontinued operations			
IAS 33.66	Basic (cents per share)		129.8	135.4
IAS 33.66	Diluted (cents per share)		113.4	129.0
	From continuing operations			
IAS 33.66	Basic (cents per share)		82.1	85.7
IAS 33.66	Diluted (cents per share)		71.9	81.7

Source	International GAAP Holdings Limited

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2017 **[Alt 1]**

Commentary:

One statement vs. two statements

IAS 1 permits an entity to present profit or loss and other comprehensive income (OCI) in either a single statement or in two separate but consecutive statements. Alt 1 above illustrates the presentation of profit or loss and OCI in one statement with expenses analysed by function. Alt 2 (see the following pages) illustrates the presentation of profit or loss and OCI in two separate but consecutive statements with expenses analysed by nature.

Whichever presentation approach is adopted, the distinction is retained between items recognised in profit or loss and items recognised in OCI. Under both approaches, profit or loss, total OCI, as well as comprehensive income for the period (being the total of profit or loss and OCI) should be presented. Under the two-statement approach, the separate statement of profit or loss ends at 'profit for the year', and this 'profit for the year' is then the starting point for the statement of profit or loss and other comprehensive income, which is required to be presented immediately following the statement of profit or loss. In addition, the analysis of 'profit for the year' between the amount attributable to the owners of the Company and the amount attributable to non-controlling interests is presented as part of the separate statement of profit or loss.

OCI: items that may or may not be reclassified

Irrespective of whether the one-statement or the two-statement approach is followed, the items of OCI should be classified by nature and grouped into those that, in accordance with other IFRSs:

(a) will not be reclassified subsequently to profit or loss; and

(b) may be reclassified subsequently to profit or loss when specific conditions are met.

An entity should present its share of OCI of associates and joint ventures accounted for using the equity method separately from those arising from the Group.

Presentation options for reclassification adjustments

In addition, in accordance with paragraph 94 of IAS 1, an entity may present reclassification adjustments in the statement of profit or loss and other comprehensive income or in the notes. In Alt 1 above, the reclassification adjustments have been presented in the notes. Alt 2 (see the following pages) illustrates the presentation of the reclassification adjustments in the statement of profit or loss and other comprehensive income.

Presentation options for income tax relating to items of OCI

Furthermore, for items of OCI, additional presentation options are available as follows: the individual items of OCI may be presented net of tax in the statement of profit or loss and other comprehensive income (as illustrated on the previous page), or they may be presented gross with a single line deduction for tax relating to those items by allocating the tax between the items that may be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to profit or loss section (see Alt 2). Whichever option is selected, the income tax relating to each item of OCI must be disclosed, either in the statement of profit or loss and other comprehensive income or in the notes (see Note 29).

Source	International GAAP Holdings Limited

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 – continued **[Alt 1]**

Subtotals

When an entity presents subtotals, those subtotals should:

a) comprise of line items made up of amounts recognised and measured in accordance with IFRS;

b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;

c) be consistent from period to period; and

d) not be displayed with more prominence than the subtotals and totals required in IFRS.

Immaterial items

An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. However, for the purposes of these model financial statements, items that are immaterial or with nil amounts have still been disclosed for illustrative purposes only.

Source	International GAAP Holdings Limited			
IAS 1.10A, 10(ea), 51(b),(c)	**Consolidated statement of profit or loss for the year ended 31 December 2017**			**[Alt 2]**
IAS 1.113		Notes	Year ended 31/12/17	Year ended 31/12/16
IAS 1.51(d),(e)			CU'000	CU'000
	Continuing operations			
IAS 1.82(a)	Revenue	5	140,934	152,075
IAS 1.85	Investment income	7	3,633	2,396
IAS 1.85	Other gains and losses	8	647	1,005
IAS 1.99	Changes in inventories of finished goods and work in progress		7,674	2,968
IAS 1.99	Raw materials and consumables used		(84,990)	(86,068)
IAS 1.99	Depreciation and amortisation expenses	13	(12,224)	(13,569)
IAS 1.99	Employee benefits expense	13	(10,553)	(11,951)
IAS 1.82(b)	Finance costs	9	(4,420)	(6,025)
IAS 1.99	Consulting expense		(3,120)	(1,926)
	Other expenses		(9,048)	(8,099)
IAS 1.82(c)	Share of profit of associates	20	866	1,209
IAS 1.82(c)	Share of profit of a joint venture	20A	337	242
IAS 1.85	Gain recognised on disposal of interest in former associate	20	581	–
IAS 1.85	Others [describe]		–	–
IAS 1.85	Profit before tax		30,317	32,257
IAS 1.82(d)	Income tax expense	10	(11,485)	(11,668)
IAS 1.85	Profit for the year from continuing operations	13	18,832	20,589
	Discontinued operations			
IAS 1.82(ea) IFRS 5.33A	Profit for the year from discontinued operations	11	8,310	9,995
IAS 1.81A(a)	**PROFIT FOR THE YEAR**		27,142	30,584

Source	International GAAP Holdings Limited			
IAS 1.10A, 10(ea), 51(b),(c)	**Consolidated statement of profit or loss for the year ended 31 December 2017**			**[Alt 2]**
IAS 1.113		Notes	Year ended 31/12/17	Year ended 31/12/16
	Attributable to:			
IAS 1.81B(a)(ii)	Owners of the Company		22,750	27,357
IAS 1.81B(a)(i)	Non-controlling interests		4,392	3,227
			27,142	30,584
	Earnings per share	14		
	From continuing and discontinued operations			
IAS 33.66, 67A	Basic (cents per share)		129.8	135.4
IAS 33.66, 67A	Diluted (cents per share)		113.4	129.0
	From continuing operations			
IAS 33.66, 67A	Basic (cents per share)		82.1	85.7
IAS 33.66, 67A	Diluted (cents per share)		71.9	81.7

Commentary:

The format outlined above aggregates expenses according to their nature.

See the previous page for a discussion of the format of the statement of profit or loss and other comprehensive income. Note that where the two-statement approach is adopted (above and on the next page), as required by IAS 1.10A, the statement of profit or loss must be displayed immediately before the statement of comprehensive income.

Source	International GAAP Holdings Limited			
IAS 1.10A, 10(ea), 51(b),(c)	**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017**			**[Alt 2]**
IAS 1.113		Note	Year ended 31/12/17	Year ended 31/12/16
IAS 1.51(d),(e)			CU'000	CU'000
IAS 1.10A	**Profit for the year**		27,142	30,584
	Other comprehensive income	29		
	Items that will not be reclassified subsequently to profit or loss:			
IAS 1.82A(a)(i)	Gain on revaluation of property		1,643	–
IAS 1.82A(b)(i)	Share of other comprehensive income of associates		–	–
IAS 1.82A(a)(i)	Remeasurement of defined benefit obligation		806	191
	Others (please specify)		–	–
IAS 1.91(b)	Income tax relating to items that will not be reclassified subsequently to profit or loss		(735)	(57)
			1,714	134
	Items that may be reclassified subsequently to profit or loss:			
IAS 1.82A(a)(ii)	Exchange differences on translating foreign operations			
	Exchange differences arising during the year		75	121
	Loss on hedging instruments designated in hedges of the net assets of foreign operations		(12)	–
	Reclassification adjustments relating to foreign operations disposed of in the year		(166)	–
	Reclassification adjustments relating to hedges of the net assets of foreign operations disposed of in the year		46	–
			(57)	121

Source	International GAAP Holdings Limited			
IAS 1.10A, 10(ea), 51(b),(c)	**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017**			**[Alt 2]**
IAS 1.113		Note	Year ended 31/12/17	Year ended 31/12/16
IAS 1.82A(a)(ii)	Available-for-sale financial assets			
	Net fair value gain on available-for-sale financial assets during the year		94	81
	Reclassification adjustments relating to available-for-sale financial assets disposed of in the year		–	–
			94	81
IAS 1.82A(a)(ii)	Cash flow hedges			
	Fair value gains arising during the year		436	316
	Reclassification adjustments for amounts recognised in profit or loss		(123)	(86)
	Adjustments for amounts transferred to the initial carrying amounts of hedged items		(257)	(201)
			56	29
	Others (please specify)		–	–
IAS 1.91(b)	Income tax relating to items that may be reclassified subsequently to profit or loss		(27)	(69)
IAS 1.81A(b)	Other comprehensive income for the year, net of income tax		1,780	296
IAS 1.81A(c)	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		28,922	30,880
	Attributable to:			
IAS 1.81B(b)(ii)	Owners of the Company		24,530	27,653
IAS 1.81B(b)(i)	Non-controlling interests		4,392	3,227
			28,922	30,880

Source	International GAAP Holdings Limited				
IAS 1.10(a),(ea),(f) 51(b),(c)	**Consolidated statement of financial position at 31 December 2017**				
IAS 1.113		Notes	31/12/17	31/12/16	01/01/16
IAS 1.51(d), (e)			CU'000	CU'000	CU'000
	Assets				
IAS 1.60	*Non-current assets*				
IAS 1.54(a)	Property, plant and equipment	15	105,215	130,541	157,212
IAS 1.54(b)	Investment property	16	4,968	4,941	4,500
IAS 1.55	Goodwill	17	20,485	24,260	24,120
IAS 1.54(c)	Other intangible assets	18	9,739	11,325	12,523
IAS 1.54(e)	Investments in associates	20	5,402	5,590	4,406
IAS 1.54(e)	Investment in a joint venture	20A	3,999	3,662	3,420
IAS 1.54(o)	Deferred tax assets	10	2,083	1,964	1,843
IAS 1.55	Finance lease receivables	26	830	717	739
IAS 1.54(d)	Other financial assets	22	10,771	9,655	7,850
IAS 1.55	Other assets	23	–	–	–
	Total non-current assets		163,492	192,655	216,613
IAS 1.60	*Current assets*				
IAS 1.54(g)	Inventories	24	27,673	25,132	25,928
IAS 1.54(h)	Trade and other receivables	25	18,869	13,744	12,708
IAS 1.55	Finance lease receivables	26	198	188	182
IAS 1.55	Amounts due from customers under construction contracts	27	240	230	697
IAS 1.54(d)	Other financial assets	22	8,757	6,949	5,528
IAS 1.54(n)	Current tax assets	10	125	60	81
IAS 1.55	Other assets	23	–	–	–
IAS 1.54(i)	Cash and bank balances	46	24,096	20,278	8,052
			79,958	66,581	53,176
IAS 1.54(j)	Assets classified as held for sale	12	22,336	–	–
	Total current assets		102,294	66,581	53,176
	Total assets		265,786	259,236	269,789

Source	International GAAP Holdings Limited
IAS 1.10(a),(ea),(f) 51(b),(c)	**Consolidated statement of financial position** **at 31 December 2017 – continued**

Commentary:

IAS 1.40A requires an entity to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) if:

a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the third statement of financial position.

Other than disclosures of certain specified information as required by IAS 1.41-44 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the related notes to the third statement of financial position are not required to be disclosed.*

In this model, despite the fact that the application of the amendments to IFRSs has not resulted in any retrospective restatement or reclassification of items in the Group's consolidated financial statements (see note 2), a third statement of financial position has been presented for illustrative purposes only.

Source	International GAAP Holdings Limited				
	Consolidated statement of financial position at 31 December 2017 – continued				
		Notes	31/12/17	31/12/16	01/01/16
			CU'000	CU'000	CU'000
	Equity and liabilities				
	Capital and reserves				
IAS 1.55	Issued capital and share premium	28	32,439	48,672	48,672
IAS 1.55	Other reserves	29	4,237	2,226	1,726
IAS 1.55	Retained earnings	30	111,539	95,378	74,366
			148,215	146,276	124,764
IAS 1.55	Amounts recognised directly in equity relating to assets classified as held for sale	12	–	–	–
IAS 1.54(r)	Equity attributable to owners of the Company		148,215	146,276	124,764
IAS 1.54(q)	Non-controlling interests	31	26,761	22,058	18,831
	Total equity		174,976	168,334	143,595
IAS 1.60	*Non-current liabilities*				
IAS 1.55	Borrowings	32	13,560	25,886	22,072
IAS 1.54(m)	Other financial liabilities	34	15,001	–	–
IAS 1.55	Retirement benefit obligation	39	1,954	1,482	2,194
IAS 1.54(o)	Deferred tax liabilities	10	6,782	5,224	4,677
IAS 1.54(l)	Provisions	35	2,294	2,231	4,102
IAS 1.55	Deferred revenue	41	59	165	41
IAS 1.55	Other liabilities	36	180	270	–
	Total non-current liabilities		39,830	35,258	33,086

Source	International GAAP Holdings Limited				
	Consolidated statement of financial position at 31 December 2017 – continued				
		Notes	31/12/17	31/12/16	01/01/16
IAS 1.60	*Current liabilities*				
IAS 1.54(k)	Trade and other payables	37	15,659	20,422	51,957
IAS 1.55	Amounts due to customers under construction contracts	27	36	15	245
IAS 1.55	Borrowings	32	22,446	25,600	33,618
IAS 1.54(m)	Other financial liabilities	34	116	18	–
IAS 1.54(n)	Current tax liabilities	10	5,328	5,927	4,990
IAS 1.54(l)	Provisions	35	3,356	3,195	2,235
IAS 1.55	Deferred revenue	41	265	372	63
IAS 1.55	Other liabilities	36	90	95	–
			47,296	55,644	93,108
IAS 1.54(p)	Liabilities directly associated with assets classified as held for sale	12	3,684	–	–
	Total current liabilities		50,980	55,644	93,108
	Total liabilities		90,810	90,902	126,194
	Total equity and liabilities		265,786	259,236	269,789

Source	International GAAP Holdings Limited					
IAS 1.10(c), (ea), 51(b),(c) IAS 1.106	**Consolidated statement of changes in equity for the year ended 31 December 2017**					
		Share capital	Share premium	General reserve	Properties revaluation reserve	Investments revaluation reserve
IAS 1.51(d),(e)		CU'000	CU'000	CU'000	CU'000	CU'000
	Balance at 1 January 2016 (as previously reported)	23,005	25,667	807	51	470
	Adjustments (see note 2.1)	–	–	–	–	–
	Balance at 1 January 2016	23,005	25,667	807	51	470
	Profit for the year	–	–	–	–	–
	Other comprehensive income for the year, net of income tax	–	–	–	–	57
	Total comprehensive income for the year	–	–	–	–	57
	Recognition of share-based payments	–	–	–	–	–
	Payment of dividends	–	–	–	–	–
	Balance at 31 December 2016	23,005	25,667	807	51	527
	Profit for the year	–	–	–	–	–
	Other comprehensive income for the year, net of income tax	–	–	–	1,150	66
	Total comprehensive income for the year	–	–	–	1,150	66
	Payment of dividends	–	–	–	–	–
	Additional non-controlling interests arising on the acquisition of Subsix Limited (note 44)	–	–	–	–	–
	Additional non-controlling interests relating to outstanding share-based payment transactions of Subsix Limited (note 44)	–	–	–	–	–
	Disposal of partial interest in Subone Limited (note 19)	–	–	–	–	–
	Recognition of share-based payments	–	–	–	–	–
	Issue of ordinary shares under employee share option plan	314	–	–	–	–
	Issue of ordinary shares for consulting services performed (note 28.1)	3	5	–	–	–
	Issue of convertible non-participating preference shares	100	–	–	–	–
	Issue of convertible notes	–	–	–	–	–
	Share issue costs	–	(6)	–	–	–
	Buy-back of ordinary shares	(5,603)	(10,853)	–	–	–
	Share buy-back costs	–	(277)	–	–	–
	Transfer to retained earnings	–	–	–	(3)	–
	Income tax relating to transactions with owners		84	–	–	–
	Balance at 31 December 2017	17,819	14,620	807	1,198	593

Equity–settled employee benefits reserve	Cash flow hedging reserve	Foreign currency translation reserve	Option premium on convertible notes	Retained earnings	Attributable to owners of the parent	Non–controlling interests	Total
CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
–	258	140	–	74,366	124,764	18,831	143,595
–	–	–	–	–	–	–	–
–	258	140	–	74,366	124,764	18,831	143,595
–	–	–	–	27,357	27,357	3,227	30,584
–	20	85	–	134	296	–	296
–	20	85	–	27,491	27,653	3,227	30,880
338	–	–	–	–	338	–	338
–	–	–	–	(6,479)	(6,479)	–	(6,479)
338	278	225	–	95,378	146,276	22,058	168,334
–	–	–	–	22,750	22,750	4,392	27,142
–	39	(39)	–	564	1,780	–	1,780
–	39	(39)	–	23,314	24,530	4,392	28,922
–	–	–	–	(6,635)	(6,635)	–	(6,635)
–	–	–	–	–	–	127	127
–	–	–	–	–		5	5
–	–	–	–	34	34	179	213
206	–	–	–	–	206	–	206
–	–	–	–	–	314	–	314
–	–	–	–	–	8	–	8
–	–	–	–	–	100	–	100
–	–	–	834	–	834	–	834
–	–	–	–	–	(6)	–	(6)
–	–	–	–	(555)	(17,011)	–	(17,011)
–	–	–	–	–	(277)	–	(277)
–	–	–	–	3	–	–	–
–	–	–	(242)	–	(158)	–	(158)
544	317	186	592	111,539	148,215	26,761	174,976

Source	International GAAP Holdings Limited			
IAS 1.10(d), (ea), 51(b),(c)	**Consolidated statement of cash flows for the year ended 31 December 2017**			**[Alt 1]**
IAS 1.113		Notes	Year ended 31/12/17	Year ended 31/12/16
IAS 1.51(d),(e)			CU'000	CU'000
IAS 7.10	**Cash flows from operating activities**			
IAS 7.18(a)	Receipts from customers		208,889	214,691
	Payments to suppliers and employees		(168,429)	(184,208)
	Cash generated from operations		40,460	30,483
IAS 7.31	Interest paid		(4,493)	(6,106)
IAS 7.35	Income taxes paid		(10,910)	(10,426)
	Net cash generated by operating activities		25,057	13,951
IAS 7.10	**Cash flows from investing activities**			
	Payments to acquire financial assets		(1,890)	–
	Proceeds on sale of financial assets		–	51
IAS 7.31	Interest received		2,315	1,054
	Royalties and other investment income received		1,162	1,188
IAS 24.19(d)	Dividends received from associates		30	25
IAS 7.31	Other dividends received		156	154
	Amounts advanced to related parties		(738)	(4,311)
	Repayments by related parties		189	1,578
	Payments for property, plant and equipment		(21,473)	(11,862)
	Proceeds from disposal of property, plant and equipment		11,462	21,245
	Payments for investment property		(10)	(202)
	Proceeds from disposal of investment property		–	58
	Payments for intangible assets		(6)	(358)
IAS 7.39	Net cash outflow on acquisition of subsidiaries	44	(477)	–
IAS 7.39	Net cash inflow on disposal of subsidiary	45	7,566	–
	Net cash inflow on disposal of associate		–	120
	Net cash (used in)/generated by investing activities		(1,714)	8,740

Source	International GAAP Holdings Limited			
IAS 1.10(d), (ea), 51(b),(c)	**Consolidated statement of cash flows for the year ended 31 December 2017 – continued**			**[Alt 1]**
		Notes	Year ended 31/12/17	Year ended 31/12/16
IAS 7.10	**Cash flows from financing activities**			
	Proceeds from issue of equity instruments of the Company		414	–
	Proceeds from issue of convertible notes	32.3	4,950	–
	Payment for share issue costs		(6)	–
	Payment for buy-back of shares		(17,011)	–
	Payment for share buy-back costs		(277)	–
	Proceeds from issue of redeemable preference shares	32.3	15,000	–
	Proceeds from issue of perpetual notes	32.3	2,500	–
	Payment for debt issue costs	32.3	(595)	–
	Proceeds from borrowings	32.3	20,778	24,798
	Repayment of borrowings	32.3	(38,148)	(23,417)
	Proceeds from government loans	32.3	–	3,000
IAS 7.42A	Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		213	–
IAS 7.31	Dividends paid on redeemable preference shares		(613)	–
IAS 7.31	Dividends paid to owners of the Company		(6,635)	(6,479)
	Net cash used in financing activities		(19,430)	(2,098)
	Net increase in cash and cash equivalents		3,913	20,593
	Cash and cash equivalents at the beginning of the year		19,900	(469)
IAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(80)	(224)
	Cash and cash equivalents at the end of the year	46	23,733	19,900

Commentary:

The above illustrates the direct method of reporting cash flows from operating activities.

Source	International GAAP Holdings Limited		
IAS 1.10(d), (ea), 51(b),(c)	**Consolidated statement of cash flows for the year ended 31 December 2017**		**[Alt 2]**
IAS 1.113		Year ended 31/12/17	Year ended 31/12/16
IAS 1.51(d),(e)		CU'000	CU'000
IAS 7.10	**Cash flows from operating activities**		
IAS 7.18(b)	Profit for the year	27,142	30,584
	Adjustments for:		
	Income tax expense recognised in profit or loss	14,645	14,666
	Share of profit of associates	(866)	(1,209)
	Share of profit of a joint venture	(337)	(242)
	Finance costs recognised in profit or loss	4,420	6,025
	Investment income recognised in profit or loss	(3,633)	(2,396)
	Gain on disposal of property, plant and equipment	(6)	(67)
	Gain arising on changes in fair value of investment property	(30)	(297)
	Gain on disposal of a subsidiary	(1,940)	–
	Gain on disposal of interest in former associate	(581)	–
	Net (gain)/loss arising on financial liabilities designated as at fair value through profit or loss	(125)	–
	Net (gain)/loss arising on financial assets classified as held for trading	(156)	(72)
	Net loss/(gain) arising on financial liabilities classified as held for trading	51	
	Hedge ineffectiveness on cash flow hedges	(89)	(68)
	Net (gain)/loss on disposal of available-for-sale financial assets	–	–
	Impairment loss recognised on trade receivables	63	430
	Reversal of impairment loss on trade receivables	(103)	–
	Depreciation and amortisation of non-current assets	15,210	17,041
	Impairment of non-current assets	1,439	–
	Net foreign exchange (gain)/loss	(819)	(474)
	Expense recognised in respect of equity-settled share-based payments	206	338
	Expense recognised in respect of shares issued in exchange for consulting services	8	–
	Amortisation of financial guarantee contracts	6	18
	Gain arising on effective settlement of legal claim against Subseven Limited	(40)	–
		54,465	64,277

Source	International GAAP Holdings Limited		
IAS 1.10(d), (ea), 51(b),(c)	**Consolidated statement of cash flows for the year ended 31 December 2017 – continued**		**[Alt 2]**
IAS 1.113		Year ended 31/12/17	Year ended 31/12/16
	Movements in working capital:		
	Increase in trade and other receivables	(4,638)	(2,520)
	(Increase)/decrease in amounts due from customers under construction contracts	(10)	467
	(Increase)/decrease in inventories	(3,031)	204
	(Increase)/decrease in other assets	–	–
	Decrease in trade and other payables	(6,263)	(31,182)
	Increase/(decrease) in amounts due to customers under construction contracts	21	(230)
	Increase/(decrease) in provisions	224	(941)
	(Decrease)/increase in deferred revenue	(213)	43
	(Decrease)/increase in other liabilities	(95)	365
	Cash generated from operations	40,460	30,483
IAS 7.31	Interest paid	(4,493)	(6,106)
IAS 7.35	Income taxes paid	(10,910)	(10,426)
	Net cash generated by operating activities	25,057	13,951

Source	International GAAP Holdings Limited			
	Consolidated statement of cash flows for the year ended 31 December 2017 – continued			**[Alt 2]**
		Notes	Year ended 31/12/17	Year ended 31/12/16
			CU'000	CU'000
IAS 7.10	**Cash flows from investing activities**			
	Payments to acquire financial assets		(1,890)	–
	Proceeds on sale of financial assets		–	51
IAS 7.31	Interest received		2,315	1,054
	Royalties and other investment income received		1,162	1,188
IAS 24.19(d)	Dividends received from associates		30	25
IAS 7.31	Other dividends received		156	154
	Amounts advanced to related parties		(738)	(4,311)
	Repayments by related parties		189	1,578
	Payments for property, plant and equipment		(21,473)	(11,862)
	Proceeds from disposal of property, plant and equipment		11,462	21,245
	Payments for investment property		(10)	(202)
	Proceeds from disposal of investment property		–	58
	Payments for intangible assets		(6)	(358)
IAS 7.39	Net cash outflow on acquisition of subsidiaries	44	(477)	–
IAS 7.39	Net cash inflow on disposal of subsidiary	45	7,566	–
	Net cash inflow on disposal of associate		–	120
	Net cash (used in)/generated by investing activities		(1,714)	8,740
IAS 7.10	**Cash flows from financing activities**			
	Proceeds from issue of equity instruments of the Company		414	–
	Proceeds from issue of convertible notes		4,950	–
	Payment for share issue costs		(6)	–
	Payment for buy-back of shares		(17,011)	–
	Payment for share buy-back costs		(277)	-
	Proceeds from issue of redeemable preference shares		15,000	–
	Proceeds from issue of perpetual notes		2,500	–
	Payment for debt issue costs		(595)	–
	Proceeds from borrowings		20,778	24,798
	Repayment of borrowings		(38,148)	(23,417)
	Proceeds from government loans		–	3,000
IAS 7.42A	Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		213	–
IAS 7.31	Dividends paid on redeemable cumulative preference shares		(613)	–
IAS 7.31	Dividends paid to owners of the Company		(6,635)	(6,479)
	Net cash used in financing activities		(19,430)	(2,098)
	Net increase in cash and cash equivalents		3,913	20,593
	Cash and cash equivalents at the beginning of the year		19,900	(469)
IAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(80)	(224)
	Cash and cash equivalents at the end of the year	46	23,733	19,900

Commentary:

The above illustrates the indirect method of reporting cash flows from operating activities.

Source	International GAAP Holdings Limited
IAS 1.10(e), (ea), 51(b),(c)	**Notes to the consolidated financial statements for the year ended 31 December 2017**

1. General information

IAS 1.138(a), (c)

IAS 24.13

International GAAP Holdings Limited (the Company) is a limited company incorporated in A Land. Its parent and ultimate holding company is International Group Holdings Limited. Its ultimate controlling party is Mr. John Banks. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 6.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Amendments to IFRSs that are mandatorily effective for the current year

IAS 8.28(a)-(d)

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Amendments to IAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (note 32) and certain other financial liabilities (note 34). A reconciliation between the opening and closing balances of these items is provided in note 32.3. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 32.3, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs 2014-2016 Cycle

The Group has applied the amendments to IFRS 12 included in the *Annual Improvements to IFRSs 2014-2016 Cycle* for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 2.2).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

2.2 New and revised IFRSs in issue but not yet effective

Commentary:

Entities are required to disclose in their financial statements the potential impact of new and revised IFRSs that have been issued but are not yet effective. The disclosures below reflect a cut-off date of 31 March 2017. The potential impact of the application of any new and revised IFRSs issued by the IASB after 31 March 2017 but before the financial statements are issued should also be considered and disclosed.

The impact of the application of the new and revised IFRSs (see below) is for illustrative purposes only. Entities should analyse the impact based on their specific facts and circumstances.

IAS 8.30 The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IAS 8.31

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined.

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement

- Bills of exchange and debentures classified as held-to-maturity investments and loans carried at amortised cost as disclosed in note 22: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;
- Listed redeemable notes classified as available-for-sale investments carried at fair value as disclosed in note 22: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the notes in the open market, and the notes' contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed redeemable notes will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed redeemable notes are derecognised or reclassified;
- Unlisted shares classified as available-for-sale investments carried at fair value as disclosed in note 22: these shares qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income;
- Redeemable cumulative preference shares issued by the Group designated as at FVTPL as disclosed in note 34: these financial liabilities qualify for designation as measured at FVTPL under IFRS 9; however, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability will be recognised in other comprehensive income with the remaining fair value change recognised in profit or loss. This is different from the current accounting treatment in terms of which the entire change in fair value of the financial liability is recognised in profit or loss. The change in fair value attributed to a change in credit risk of these financial liabilities amounting to approximately CU20,000 during the current year (2016: CU nil) would be recognised in other comprehensive income under IFRS 9;
- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Impairment

Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9 (note 22) (see classification and measurement section above), finance lease receivables (note 26), amounts due from customer under construction contracts (note 27), and financial guarantee contracts (note 34) will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, finance lease receivables and amounts due from customer under construction contracts as required or permitted by IFRS 9. As regards the listed redeemable notes, bills of exchange and debentures as disclosed in note 22, the directors of the Company consider that they have low credit risk given their strong external credit rating and hence expect to recognise 12-month expected credit losses for these items. In relation to the loans to related parties (note 22) and financial guarantee contracts, the directors have assessed that there has been a significant increase in the credit risk of the loans to related parties, but not for the financial guarantee contracts, from initial recognition to 31 December 2017. Accordingly, the directors expect to recognise lifetime and 12-month expected credit losses for these items respectively.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Hedge accounting

As the new hedge accounting requirements will align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9. Similar to the Group's current hedge accounting policy, the directors do not intend to exclude the forward element of foreign currency forward contracts from designated hedging relationships. Moreover, the Group has already elected to basis adjust non-financial hedged items with gains/losses arising from effective cash flow hedges under IAS 39, which is mandatory under IFRS 9.

Nevertheless, under IFRS 9, basis adjustments are not considered a reclassification adjustment and therefore they would not affect other comprehensive income. Currently, gains/losses arising from effective cash flow hedges that are subject to basis adjustments are presented in other comprehensive income as amounts that may be subsequently reclassified to profit or loss. The corresponding amount in the current year of CU49,000 (CU70,000 net of tax of CU21,000) (see note 40.6.2) will be presented as 'will not be subsequently reclassified to profit or loss' upon the application of IFRS 9, which has no overall impact on the Group's profit or loss, other comprehensive income or total comprehensive income. However, in respect of the actual basis adjustment of CU180,000 (CU257,000 net of tax of CU77,000) in the current year (see note 29.5) which affected other comprehensive income, such basis adjustment will no longer affect other comprehensive income upon the application of IFRS 9, resulting in an increase in other comprehensive income and total comprehensive income of the same amount.

Apart from the above, the directors do not anticipate that the application of the IFRS 9 hedge accounting requirements will have a material impact on the Group's consolidated financial statements.

Commentary:

IAS 8.30 requires entities to give known or reasonably estimable information relevant to assessing the possible impact that application of any new or revised IFRS will have on the entity's financial statements in the period of initial application. The regulatory requirements in the various jurisdictions may differ as to how detailed the disclosures need to be; some regulators may require both qualitative and quantitative information to be disclosed whereas others may consider that qualitative information (e.g. key areas that may be affected by the new or revised IFRS) suffices in many circumstances. For this reason, relevant regulatory guidance should also be taken into account in preparing the disclosure.

This applies to all new or revised IFRSs that have been issued but are not yet effective.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the following major sources:

- Sale of leisure goods and electronic equipment, including the related loyalty programme 'Maxi-Points Scheme' as disclosed in note 41, servicing fees included in the price of products sold, as well as warranties granted under local legislation as disclosed in note 35;
- Installation of computer software for specialised business applications; and
- Construction of residential properties.

The directors of the Company have preliminarily assessed that the Maxi-Points Scheme and the after-sale services represent two separate performance obligations from the sale of the leisure goods and electronic equipment and accordingly, revenue will be recognised for each of these performance obligations when control over the corresponding goods and services is transferred to the customer. This is similar to the current identification of separate revenue components under IAS 18. Furthermore, even though IFRS 15 requires the transaction price to be allocated to the different performance obligations on a relative stand-alone selling price basis, the directors do not expect that the allocation of revenue to the Maxi-Points, the after-sale services and the leisure goods and electronic equipment sold will be significantly different from that currently determined. The timing of revenue recognition of each of these three performance obligations (i.e. upon redemption of the Maxi-Points taking breakage into account, at a point in time for sale of goods when the goods are delivered to the customer, and over the period the after-sale services are performed) are also expected to be consistent with current practice.

The sales-related warranties cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group will continue to account for the warranty in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its current accounting treatment.

As regards the construction of residential properties, the directors have specifically considered IFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to the customer and the timing of the related payments. The directors have assessed that revenue from these construction contracts should be recognised over time as the customer controls the properties during the course of construction by the Group. Furthermore, the directors consider that the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

As regards the installation of software services, the directors have assessed that these performance obligations are satisfied over time and that the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

The directors intend to use the full retrospective method of transition to IFRS 15.

Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of CU9.92 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 48. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Group is a lessor (for both operating and finance leases), the directors of the Company do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
   i) the original liability is derecognised;
   ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
   iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Annual Improvements to IFRSs 2014 – 2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Group. The package also includes amendments to IFRS 12 which is mandatorily effective for the Group in the current year – see note 2.1 for details of application.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of the amendments in the future will have any impact on the Group's consolidated financial statements as the Group is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Group does not have any associate or joint venture that is an investment entity.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements. This is because the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

Commentary:

It has been assumed for the purposes of these illustrative financial statements that the application of many of the above new or revised IFRSs, and amendments to IFRSs, will not have a material impact to the amounts recognised or disclosures in these illustrative financial statements. Entities should analyse the impact of these new or revised IFRSs on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 1.112(a), 117, 119-121

3. Significant accounting policies

Commentary:

The following are *<u>examples</u>* *of the types of accounting policies that might be disclosed in this entity's financial statements. Entities are required to disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. An accounting policy may be significant because of the nature of the entity's operations even if amounts for the current and prior periods are not material.*

In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Standards and Interpretations.

Each entity considers the nature of its operations and the policies that users of its financial statements would expect to be disclosed for that type of entity. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRSs, but that is selected and applied in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

For completeness, in these model financial statements, accounting policies have been provided for some immaterial items, although this is not required under IFRSs.

3.1 Statement of compliance

IAS 1.16

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

IAS 1.17(b), 112(a), 117(a)

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Source	International GAAP Holdings Limited
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued
IAS 1.17(b), 112(a), 117(a)	The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see note 3.16.2); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described at note 3.6 below.

3.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3.7 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

3.8 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

IAS 18.35(a)

3.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.9.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group's Maxi-Points Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

3.9.2 Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

The Group's policy for recognition of revenue from construction contracts is described in note 3.10 below.

3.9.3 Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

3.9.4 Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.9.5 Rental income

The Group's policy for recognition of revenue from operating leases is described in note 3.11.1 below.

IAS 11.39(b),(c)

3.10 Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

3.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.11.1 The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.11.2 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3.13 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.12 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 3.28 below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

IAS 20.39(a)

3.14 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

3.15 Employee benefits

3.15.1 Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item ['employee benefits expense'/others (please specify)]. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.15.2 Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3.15.3 Contributions from employees or third parties to defined benefit plans

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity [reduces service cost in the period in which the related service is rendered/reduces service cost by attributing contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.]

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

3.16 Share-based payment arrangements

3.16.1 Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 42.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.16.2 Share-based payment transactions of the acquiree in a business combination

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with IFRS 2 ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquiree awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with IFRS 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.

3.17 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.17.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated [statement of profit or loss and other comprehensive income/statement of profit or loss] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

3.17.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

3.17.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

IAS 16.73(a),(b)

3.18 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

IAS 40.75(a)

3.19 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.20 Intangible assets

3.20.1 Intangible assets acquired separately

IAS 38.118(b)

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

3.20.2 Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

IAS 38.118(b)

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.20.3 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

IAS 38.118(b)

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.20.4 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.21 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see note 3.18 above).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see note 3.18 above).

IAS 2.36(a)

3.22 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.23 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.23.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3.23.2 Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.23.3 Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3.23.4 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 7.21

3.24 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

IFRS 7.21

3.25 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.25.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

IFRS 7.B5(e)

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.25.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

IFRS 7.B5(e)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 40.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

3.25.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

3.25.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others [describe]) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3.25.5 Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 40. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3.25.6 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

IFRS 7.B5(f), 37(b)

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.25.7 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 7.21

3.26 Financial liabilities and equity instruments

3.26.1 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.26.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.26.3 Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to [share premium/other equity [describe]]. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to [retained profits/other equity [describe]]. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

3.26.4 Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL' or ‘other financial liabilities'.

3.26.4.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

IFRS 7.B5(e)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 40.

3.26.4.2 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.26.4.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

3.26.4.4 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

IFRS 7.21

3.27 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 40.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3.27.1 Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 7.21

3.28 Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 40 sets out details of the fair values of the derivative instruments used for hedging purposes.

3.28.1 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

3.28.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.28.3 Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

4. Critical accounting judgements and key sources of estimation uncertainty

Commentary:

The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the performance and financial position of the entity. Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant asset and liability notes, or as part of the relevant accounting policy disclosures.

IFRS 12.7 requires entities to disclose information about significant judgements and assumptions they have made in determining (i) whether they have control of another entity, (ii) whether they have joint control of an arrangement or significant influence over another entity, and (iii) the type of joint arrangement when the arrangement has been structured through a separate vehicle.

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

IAS 1.122

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Revenue recognition

Note 13.6 describes the expenditure required in the year for rectification work carried out on goods supplied to one of the Group's major customers. These goods were delivered to the customer in the months of January to July 2016, and shortly thereafter the defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the Group until 2017. In the light of the problems identified, the directors were required to consider whether it was appropriate to recognise the revenue from these transactions of CU19 million in the current year, in line with the Group's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to defer recognition until the rectification work was complete.

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Group's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate provision for the rectification costs.

4.1.2 Held-to-maturity financial assets

The directors have reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is CU5.905 million (31 December 2016: CU4.015 million). Details of these assets are set out in note 22.

Source	International GAAP Holdings Limited
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued
	4.1.3 Deferred taxation on investment properties
	For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.
IFRS 12.7(a)	4.1.4 Control over C Plus Limited
IFRS 12.9(b)	Note 19 describes that C Plus Limited is a subsidiary of the Group even though the Group has only a 45% ownership interest and has only 45% of the voting rights in C Plus Limited. C Plus Limited is listed on the stock exchange of A Land. The Group has held its 45% ownership since June 2014 and the remaining 55% of the ownership interests are held by thousands of shareholders that are unrelated to the Group.
	The directors of the Company assessed whether or not the Group has control over C Plus Limited based on whether the Group has the practical ability to direct the relevant activities of C Plus Limited unilaterally. In making their judgement, the directors considered the Group’s absolute size of holding in C Plus Limited and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of C Plus Limited and therefore the Group has control over C Plus Limited. If the directors had concluded that the 45% ownership interest was insufficient to give the Group control, C Plus Limited would instead have been classified as an associate and the Group would have accounted for it using the equity method of accounting.
IFRS 12.7(a)	4.1.5 Control over Subtwo Limited
IFRS 12.9(b)	Note 19 describes that Subtwo Limited is a subsidiary of the Group although the Group only owns a 45% ownership interest in Subtwo Limited. Based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of Subtwo Limited that has the power to direct the relevant activities of Subtwo Limited. Therefore, the directors of the Company concluded that the Group has the practical ability to direct the relevant activities of Subtwo Limited unilaterally and hence the Group has control over Subtwo Limited.
IFRS 12.7(b)	4.1.6 Significant influence over B Plus Limited
IFRS 12.9(e)	Note 20 describes that B Plus Limited is an associate of the Group although the Group only owns a 17% ownership interest in B Plus Limited. The Group has significant influence over B Plus Limited by virtue of its contractual right to appoint two out of seven directors to the board of directors of that company.
IFRS 12.7(b), (c)	4.1.7 Classification of JV Electronics Limited as a joint venture
	JV Electronics Limited is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, JV Electronics Limited is classified as a joint venture of the Group. See note 20A for details.
	4.1.8 Discount rate used to determine the carrying amount of the Group’s defined benefit obligation
	The Group’s defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 1.125, 129

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Recoverability of internally generated intangible asset

During the year, the directors considered the recoverability of the Group's internally generated intangible asset arising from its e-business development, which is included in the consolidated statement of financial position at 31 December 2017 with a carrying amount of CU0.5 million (31 December 2016: CU0.5 million).

The project continues to progress in a satisfactory manner, and customer reaction has reconfirmed the directors' previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the directors to reconsider their assumptions and anticipated margins on these products. Detailed sensitivity analysis has been carried out and the directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

4.2.2 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2017 was CU20.5 million (31 December 2016: CU24.3 million) after an impairment loss of CU235,000 was recognised during 2017 (2016: nil). Details of the impairment loss calculation are set out in note 17.

4.2.3 Useful lives of property, plant and equipment

As described at 3.18 above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase the depreciation expense in the current financial year and for the next 3 years, by the following amounts:

	CU'000
2017	879
2018	607
2019	144
2020	102

4.2.4 Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

IFRS 13.93(g), IFRS 13.IE65

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 15, 16 and 40.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

5. Revenue

IAS 18.35(b) The following is an analysis of the Group's revenue for the year from continuing operations (excluding investment income – see note 7).

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IAS 18.35(b)	Revenue from the sale of goods	119,248	129,087
IAS 18.35(b)	Revenue from the rendering of services	16,388	18,215
IAS 11.39(a)	Construction contract revenue	5,298	4,773
		140,934	152,075

6. Segment information

Commentary:

When are entities required to present segment information?

The following segment information is required by IFRS 8 Operating Segments to be presented in the consolidated financial statements of a group with a parent (and in the separate or individual financial statements of an entity):

- *whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or*
- *that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.*

What needs to be disclosed when entities aggregate operating segments into a single operating segment?

IFRS 8.22 requires entities to give a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining the aggregated operating segments share similar economic characteristics.

According to IFRS 8.12, two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and the segments are similar in each of the following respects:

- *the nature of the products and services;*
- *the nature of the production processes;*
- *the type or class of customer for their products and services;*
- *the methods used to distribute their products or provide their services; and*
- *if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.*

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

6.1 Products and services from which reportable segments derive their revenues

IFRS 8.22

Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided, and in respect of the 'electronic equipment' and 'leisure goods' operations, the information is further analysed based on the different classes of customers. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

Electronic equipment	– direct sales
	– wholesalers
	– internet sales
Leisure goods	– wholesalers
	– retail outlets

Computer software – Installation of computer software for specialised business applications

Construction – Construction of residential properties.

The leisure goods segments supply sports shoes and equipment, as well as outdoor play equipment.

IFRS 8.22(aa)

The electronic equipment (direct sales) segment includes a number of direct sales operations in various cities within Country A each of which is considered as a separate operating segment by the CODM. For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment taking into account the following factors:

- these operating segments have similar long-term gross profit margins;
- the nature of the products and production processes are similar; and
- the methods used to distribute the products to the customers are the same.
- [Other factors, please specify]

Two operations (the manufacture and sale of toys and bicycles) were discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 11.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

6.2 Segment revenues and results

IFRS 8.23, 23(a)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

Source			Segment revenue		Segment profit	
			Year ended 31/12/17	Year ended 31/12/16	Year ended 31/12/17	Year ended 31/12/16
			CU'000	CU'000	CU'000	CU'000
	Electronic equipment	– direct sales	37,525	39,876	6,621	9,333
		– wholesalers	20,194	22,534	6,618	5,954
		– internet sales	27,563	29,699	6,604	5,567
	Leisure goods	– wholesalers	13,514	18,332	3,252	4,110
		– retail outlets	20,452	18,646	4,921	4,372
	Computer software		16,388	18,215	3,201	5,260
	Construction		5,298	4,773	389	1,500
IFRS 8.28(a)	Total for continuing operations		140,934	152,075	31,606	36,096
	Share of profit of associates				866	1,209
	Share of profit of a joint venture				337	242
	Gain recognised on disposal of interest in former associate				581	–
	Investment income				3,633	2,396
	Other gains and losses				647	1,005
	Central administration costs and directors' salaries				(2,933)	(2,666)
	Finance costs				(4,420)	(6,025)
IFRS 8.28(b)	Profit before tax (continuing operations)				30,317	32,257

IFRS 8.23(b)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: nil).

IFRS 8.27

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, share of profit of a joint venture, gain recognised on disposal of interest in former associate, investment income, other gains and losses, as well as finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

6.3 Segment assets and liabilities

Source			31/12/17	31/12/16
			CU'000	CU'000
IFRS 8.23, 28(c)	**Segment assets**			
	Electronic equipment	– direct sales	48,800	45,078
		– wholesalers	46,258	33,760
		– internet sales	42,648	32,817
	Leisure goods	– wholesalers	29,851	33,942
		– retail outlets	16,300	18,749
	Computer software		16,732	14,873
	Construction		11,724	15,610
	Total segment assets		212,313	194,829
	Assets relating to toy and bicycle operations (now discontinued)		22,336	36,527
	Unallocated		31,137	27,880
	Consolidated total assets		265,786	259,236
IFRS 8.23, 28(d)	**Segment liabilities**			
	Electronic equipment	– direct sales	7,046	6,819
		– wholesalers	4,935	3,422
		– internet sales	3,783	3,784
	Leisure goods	– wholesalers	3,152	3,262
		– retail outlets	2,278	2,581
	Computer software		1,266	1,565
	Construction		1,433	1,832
	Total segment liabilities		23,893	23,265
	Liabilities relating to toy and bicycle operations (now discontinued)		3,684	4,982
	Unallocated		63,233	62,655
	Consolidated total liabilities		90,810	90,902

IFRS 8.27

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, interests in a joint venture, ‘other financial assets', and current and deferred tax assets. Goodwill is allocated to reportable segments as described in note 17.1. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than borrowings, ‘other financial liabilities', current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

6.4 Other segment information

IFRS 8.23(e), 24(b)

		Depreciation and amortisation		Additions to non-current assets	
		Year ended 31/12/17	Year ended 31/12/16	Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000	CU'000	CU'000
Electronic equipment	– direct sales	2,597	2,039	4,695	2,682
	– wholesalers	2,607	2,466	1,770	1,023
	– internet sales	2,067	2,329	3,205	2,024
Leisure goods	– wholesalers	2,014	2,108	5,880	1,547
	– retail outlets	1,889	3,240	4,234	2,901
Computer software		756	1,017	2,195	1,901
Construction		294	370	500	384
		12,224	13,569	22,479	12,462

IFRS 8.23(i)

IAS 36.129

In addition to the depreciation and amortisation reported above, impairment losses of CU1.204 million (2015: nil) and CU235,000 (2016: nil) were recognised in respect of property, plant and equipment and goodwill, respectively. These impairment losses were attributable to the following reportable segments.

		CU'000
Impairment losses recognised for the year in respect of property, plant and equipment:		
Electronic equipment	– direct sales	529
	– wholesalers	285
	– internet sales	390
		1,204
Impairment loss recognised for the year in respect of goodwill		
Construction		235

IFRS 8.23(f)

Rectification costs of CU4.17 million (2016: nil) disclosed in note 13.6 relate to the 'electronic equipment – direct sales' reportable segment.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

6.5 Revenue from major products and services

IFRS 8.32

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Electronic equipment	85,282	92,109
Sports shoes	11,057	11,850
Sports equipment	9,946	11,000
Outdoor play equipment	12,963	14,128
Installation of computer software	16,388	18,215
Construction	5,298	4,773
	140,934	152,075

6.6 Geographical information

The Group operates in three principal geographical areas – A Land (country of domicile), B Land and C Land.

IFRS 8.33(a),(b)

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets* by location of assets are detailed below.

	Revenue from external customers		Non-current assets*	
	Year ended 31/12/17	Year ended 31/12/16	31/12/17	31/12/16
	CU'000	CU'000	CU'000	CU'000
A Land	84,202	73,971	94,085	84,675
B Land	25,898	43,562	21,411	25,745
C Land	25,485	25,687	19,085	22,341
Other	5,349	8,855	5,826	8,809
	140,934	152,075	140,407	141,570

* Non-current assets exclude those relating to toy and bicycle operations and non-current assets classified as held for sale, and exclude financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts.

6.7 Information about major customers

IFRS 8.34

Included in revenues arising from direct sales of electronic equipment of CU37.5 million (2016: CU39.9 million) (see note 6.2 above) are revenues of approximately CU25.6 million (2016: CU19.8 million) which arose from sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue for both 2017 and 2016.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

7. Investment income

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
	Continuing operations		
	Rental income:		
IAS 17.47(e)	Finance lease contingent rental income	–	–
	Operating lease rental income:		
IAS 40.75(f)	Investment property	18	14
IAS 17.56(b)	Contingent rental income	–	–
	Others [describe]	–	–
		18	14
IAS 18.35(b)	Interest income:		
	Bank deposits	1,650	541
	Available-for-sale investments	154	98
	Other loans and receivables	66	5
	Held-to-maturity investments	445	410
IFRS 7.20(d)	Impaired financial assets	–	–
		2,315	1,054
IAS 18.35(b)	Royalties	79	28
IAS 18.35(b)	Dividends from equity investments	156	154
	Others (aggregate of immaterial items)	1,065	1,146
		3,633	2,396

The following is an analysis of investment income by category of asset.

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
	Available-for-sale financial assets	154	98
	Loans and receivables (including cash and bank balances)	1,716	546
	Held-to-maturity investments	445	410
IFRS 7.20(b)	Total interest income earned on financial assets that are not designated as at fair value through profit or loss	2,315	1,054
	Dividend income earned on available-for-sale financial assets	156	154
	Investment income earned on non-financial assets	1,162	1,188
		3,633	2,396

Income relating to financial assets classified as at fair value through profit or loss is included in 'other gains and losses' in note 8.

Source	International GAAP Holdings Limited		
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued		
	8. Other gains and losses		
		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
	Continuing operations		
IAS 1.98(c)	Gain/(loss) on disposal of property, plant and equipment	6	67
IAS 1.98(d)	Gain/(loss) on disposal of available-for-sale investments	–	–
IFRS 7.20(a)	Cumulative gain/(loss) reclassified from equity on disposal of available-for-sale investments	–	–
IFRS 7.20(a)	Cumulative loss reclassified from equity on impairment of available-for-sale investments	–	–
IAS 21.52(a)	Net foreign exchange gains/(losses)	819	474
	Gain arising on effective settlement of legal claim against Subseven Limited (note 44)	40	–
IFRS 7.20(a)	Net gain/(loss) arising on financial assets designated as at FVTPL	–	–
IFRS 7.20(a)	Net gain/(loss) arising on financial liabilities designated as at FVTPL (i)	(488)	–
IFRS 7.20(a)	Net gain/(loss) arising on financial assets classified as held for trading (ii)	202	99
IFRS 7.20(a)	Net gain/(loss) arising on financial liabilities classified as held for trading (iii)	(51)	–
IAS 40.76(d)	Gain/(loss) arising on changes in fair value of investment property	30	297
IFRS 7.24(b)	Hedge ineffectiveness on cash flow hedges	89	68
IFRS 7.24(c)	Hedge ineffectiveness on net investment hedges	–	–
		647	1,005

(i) The net loss on these financial liabilities designated as at FVTPL includes a gain of CU125,000 resulting from the decrease in fair value of the liabilities, offset by dividends of CU613,000 paid during the year.

(ii) The amount represents a net gain on non-derivative held for trading financial assets (see note 22) and comprises an increase in fair value of CU202,000 (2016: CU99,000), including interest of CU46,000 received during the year (2016: CU27,000).

(iii) The amount represents a net loss arising on an interest rate swap that economically hedges the fair value of the redeemable cumulative preference shares, but for which hedge accounting is not applied (see note 34). The net loss on the interest rate swap comprises an increase in fair value of CU51,000 of the swap.

No other gains or losses have been recognised in respect of loans and receivables or held-to-maturity investments, other than as disclosed in notes 7 and 9 and impairment losses recognised/reversed in respect of trade receivables (see notes 13 and 25).

Source	International GAAP Holdings Limited		

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

9. Finance costs

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
	Continuing operations		
	Interest on bank overdrafts and loans (other than those from related parties)	3,058	3,533
	Interest on loans from related parties	1,018	2,521
	Interest on obligations under finance leases	75	54
	Interest on convertible notes	110	–
	Interest on perpetual notes	52	–
	Interest on interest-free government loans	188	–
	Other interest expense	25	–
IFRS 7.20(b)	Total interest expense for financial liabilities not classified as at FVTPL	4,526	6,108
IAS 23.26(a)	Less: amounts included in the cost of qualifying assets	(11)	(27)
		4,515	6,081
IFRS 7.24(a)	Loss/(gain) arising on derivatives as designated hedging instruments in fair value hedges	5	–
IFRS 7.24(a)	(Gain)/loss arising on adjustment for hedged item attributable to the hedged risk in a designated fair value hedge accounting relationship	(5)	–
		–	–
IFRS 7.23(d)	(Gain)/loss arising on interest rate swaps as designated hedging instruments in cash flow hedges of floating rate debt reclassified from equity to profit or loss	(123)	(86)
	Unwinding of discounts on provisions	28	30
IFRS 5.17	Unwinding of discount on costs to sell non-current assets classified as held for sale	–	–
	Other finance costs	–	–
		4,420	6,025

IAS 23.26(b) — The weighted average capitalisation rate on funds borrowed generally is 8.0% per annum (2016: 7.8% per annum).

Finance costs relating to financial liabilities classified as at fair value through profit or loss are included in 'other gains and losses' in note 8.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

10. Income taxes relating to continuing operations

10.1 Income tax recognised in profit or loss

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IAS 12.79	*Current tax*		
	In respect of the current year	10,241	11,454
	In respect of prior years	–	–
	Others [describe]	–	–
		10,241	11,454
IAS 12.80	*Deferred tax*		
	In respect of the current year	1,394	300
	Deferred tax reclassified from equity to profit or loss	(150)	(86)
	Adjustments to deferred tax attributable to changes in tax rates and laws	–	–
	Write-downs (reversals of previous write-downs) of deferred tax assets	–	–
	Others [describe]	–	–
		1,244	214
	Total income tax expense recognised in the current year relating to continuing operations	11,485	11,668

IAS 12.81(c) The income tax expense for the year can be reconciled to the accounting profit as follows:

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
	Profit before tax from continuing operations	30,317	32,257
	Income tax expense calculated at 30% (2016: 30%)	9,095	9,677
	Effect of income that is exempt from taxation	(39)	(90)
	Effect of expenses that are not deductible in determining taxable profit	2,488	2,142
	Effect of concessions (research and development and other allowances)	(75)	(66)
	Impairment losses on goodwill that are not deductible	5	–
	Effect of unused tax losses and tax offsets not recognised as deferred tax assets	–	–
	Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	–	–
	Effect of different tax rates of subsidiaries operating in other jurisdictions	11	5
IAS 12.81(d)	Effect on deferred tax balances due to the change in income tax rate from xx% to xx% (effective [insert date])	–	–
	Others [describe]	–	–
		11,485	11,668
	Adjustments recognised in the current year in relation to the current tax of prior years	–	–
	Income tax expense recognised in profit or loss (relating to continuing operations)	11,485	11,668

IAS 12.81(c) The tax rate used for the 2017 and 2016 reconciliations above is the corporate tax rate of 30% payable by corporate entities in A Land on taxable profits under tax law in that jurisdiction.

Source	International GAAP Holdings Limited
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued
IAS 12.81(a)	***10.2 Income tax recognised directly in equity***

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Current tax		
Share issue costs	(1)	–
Share buy-back costs	(8)	–
Others [describe]	–	–
	(9)	–
Deferred tax		
Arising on transactions with owners:		
Initial recognition of the equity component of convertible notes	242	–
Share issue and buy-back expenses deductible over 5 years	(75)	–
Excess tax deductions related to share-based payments	–	–
Others [describe]	–	–
	167	–
Total income tax recognised directly in equity	158	–

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 12.81(ab)

10.3 Income tax recognised in other comprehensive income

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Current tax		
Others [describe]	–	–
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Translation of foreign operations	22	36
Fair value remeasurement of hedging instruments entered into for a hedge of a net investment in a foreign operation	(4)	–
Fair value remeasurement of available-for-sale financial assets	28	24
Fair value remeasurement of hedging instruments entered into for cash flow hedges	131	95
Property revaluations	493	–
Remeasurement of defined benefit obligation	242	57
Others [describe]	–	–
	912	212
Arising on income and expenses reclassified from equity to profit or loss:		
Relating to cash flow hedges	(37)	(26)
Relating to available-for-sale financial assets	–	–
On disposal of a foreign operation	(36)	–
	(73)	(26)
Arising on gains/losses of hedging instruments in cash flow hedges transferred to the initial carrying amounts of hedged items	(77)	(60)
Total income tax recognised in other comprehensive income	762	126

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

10.4 Current tax assets and liabilities

	31/12/17	31/12/16
	CU'000	CU'000
Current tax assets		
Benefit of tax losses to be carried back to recover taxes paid in prior periods	–	–
Tax refund receivable	125	60
Others [describe]	–	–
	125	60
Current tax liabilities		
Income tax payable	5,328	5,927
Others [describe]	–	–
	5,328	5,927

10.5 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	31/12/17	31/12/16
	CU'000	CU'000
Deferred tax assets	2,083	1,964
Deferred tax liabilities	(6,782)	(5,224)
	(4,699)	(3,260)

Source	International GAAP Holdings Limited		
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued		
IAS 12.81(a),(g)		Opening balance	Recognised in profit or loss
	2017		
		CU'000	CU'000
	Deferred tax (liabilities)/assets in relation to:		
	Cash flow hedges	(119)	–
	Net investment hedges	–	–
	Associates	(1,101)	(260)
	Joint venture	(247)	(101)
	Property, plant & equipment	(2,580)	(1,404)
	Finance leases	(22)	18
	Intangible assets	(572)	196
	FVTPL financial assets	–	–
	AFS financial assets	(226)	–
	Deferred revenue	34	12
	Convertible notes	–	9
	Exchange difference on foreign operations	(14)	–
	Provisions	1,672	42
	Doubtful debts	251	(8)
	Defined benefit obligation	(162)	132
	Other financial liabilities	5	2
	Unclaimed share issue and buy-back costs	–	–
	Others [describe]	(181)	(32)
		(3,262)	(1,394)
	Tax losses	–	–
	Others	2	–
		2	–
		(3,260)	(1,394)
IAS 12.81(a),(g)	**2016**		
	Deferred tax (liabilities)/assets in relation to:		
	Cash flow hedges	(110)	–
	Associates	(738)	(363)
	Joint venture	(174)	(73)
	Property, plant & equipment	(2,448)	(132)
	Finance leases	(29)	7
	Intangible assets	(669)	97
	FVTPL financial assets	–	–
	AFS financial assets	(202)	–
	Deferred revenue	20	14
	Exchange difference on foreign operations	22	–
	Provisions	1,692	(20)
	Doubtful debts	122	129
	Defined benefit obligation	(232)	127
	Other financial liabilities	9	(4)
	Others [describe]	(97)	(84)
		(2,834)	(302)
	Tax losses	–	–
	Others	–	2
		–	2
		(2,834)	(300)

Recognised in other comprehensive income	Recognised directly in equity	Reclassified from equity to profit or loss	Acquisitions/ disposals	Liabilities associated with assets classified as held for sale (note 12)	Closing balance
CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
(131)	–	114	–	–	(136)
4	–	–	–	–	4
–	–	–	–	–	(1,361)
					(348)
(493)	–	–	458	430	(3,589)
–	–	–	–	–	(4)
–	–	–	–	–	(376)
–	–	–	–	–	–
(28)	–	–	–	–	(254)
–	–	–	–	–	46
–	(242)	–	–	–	(233)
(22)	–	36	–	–	–
–	–	–	–	–	1,714
–	–	–	(4)	–	239
(242)					(272)
–	–	–	–	–	7
–	75	–	–	–	75
–	–	–	–	–	(213)
(912)	(167)	150	454	430	(4,701)
–	–	–	–	–	–
–	–	–	–	–	2
–	–	–	–	–	2
(912)	(167)	150	454	430	(4,699)
(95)	–	86	–	–	(119)
–	–	–	–	–	(1,101)
					(247)
–	–	–	–	–	(2,580)
–	–	–	–	–	(22)
–	–	–	–	–	(572)
–	–	–	–	–	–
(24)	–	–	–	–	(226)
–	–	–	–	–	34
(36)	–	–	–	–	(14)
–	–	–	–	–	1,672
–	–	–	–	–	251
(57)					(162)
–	–	–	–	–	5
–	–	–	–	–	(181)
(212)	–	86	–	–	(3,262)
–	–	–	–	–	–
–	–	–	–	–	2
–	–	–	–	–	2
(212)	–	86	–	–	(3,260)

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

10.6 Unrecognised deductible temporary differences, unused tax losses and unused tax credits

Source		31/12/17	31/12/16
		CU'000	CU'000
IAS 12.81(e)	Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
	– tax losses (revenue in nature)	–	–
	– tax losses (capital in nature)	–	–
	– unused tax credits (note)	11	11
	– deductible temporary differences [describe]	–	–
		11	11

Note: The unrecognised tax credits will expire in 2019.

10.7 Unrecognised taxable temporary differences associated with investments and interests

Source		31/12/17	31/12/16
		CU'000	CU'000
IAS 12.81(f)	Taxable temporary differences in relation to investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognised are attributable to the following:		
	– domestic subsidiaries	120	125
	– foreign subsidiaries	–	–
	– associates and joint ventures	–	–
	– others [describe]	–	–
		120	125

11. Discontinued operations

11.1 Disposal of toy manufacturing operations

IFRS 5.30
IFRS 5.41

On 28 September 2017, the Company entered into a sale agreement to dispose of Subzero Limited, which carried out all of the Group's toy manufacturing operations. The proceeds of sale substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale. The disposal of the toy manufacturing operations is consistent with the Group's long-term policy to focus its activities in the electronic equipment and other leisure goods markets. The disposal was completed on 30 November 2017, on which date control of the toy manufacturing operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 45.

11.2 Plan to dispose of the bicycle business

IFRS 5.30
IFRS 5.41

On 30 November 2017, the directors announced a plan to dispose of the Group's bicycle business. The disposal is consistent with the Group's long-term policy to focus its activities on the electronic equipment and other leisure goods markets. The Group is actively seeking a buyer for its bicycle business and expects to complete the sale by 31 July 2018. The Group has not recognised any impairment losses in respect of the bicycle business, neither when the assets and liabilities of the operation were reclassified as held for sale nor at the end of the reporting period (see note 12).

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

11.3 Analysis of profit for the year from discontinued operations

The combined results of the discontinued operations (i.e. toy and bicycle businesses) included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IFRS 5.33(b)	***Profit for the year from discontinued operations***		
	Revenue	64,405	77,843
	Other gains	30	49
		64,435	77,892
	Expenses	(54,905)	(64,899)
	Profit before tax	9,530	12,993
IAS 12.81(h)	Attributable income tax expense	(2,524)	(2,998)
		7,006	9,995
	Loss on remeasurement to fair value less costs to sell	–	–
	Gain/(loss) on disposal of operation including a cumulative exchange gain of CU120,000 reclassified from foreign currency translation reserve to profit or loss (see note 45)	1,940	–
IAS 12.81(h)	Attributable income tax expense	(636)	–
		1,304	–
IFRS 5.33(d)	Profit for the year from discontinued operations (attributable to owners of the Company)	8,310	9,995

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IFRS 5.33(c)	***Cash flows from discontinued operations***		
	Net cash inflows from operating activities	6,381	7,078
	Net cash inflows from investing activities	2,767	–
	Net cash outflows from financing activities	(5,000)	–
	Net cash inflows	4,148	7,078

The bicycle business has been classified and accounted for at 31 December 2017 as a disposal group held for sale (see note 12).

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

12. Assets classified as held for sale

	31/12/17	31/12/16
	CU'000	CU'000
Freehold land held for sale (i)	1,260	–
Assets related to bicycle business (ii)	21,076	–
	22,336	–
Liabilities associated with assets held for sale (ii)	3,684	–

IFRS 5.41 (i) The Group intends to dispose of a parcel of freehold land it no longer utilises in the next 12 months. The property located on the freehold land was previously used in the Group's toy operations and has been fully depreciated. A search is underway for a buyer. No impairment loss was recognised on reclassification of the land as held for sale nor as at 31 December 2017 as the directors of the Company expect that the fair value (estimated based on the recent market prices of similar properties in similar locations) less costs to sell is higher than the carrying amount.

IFRS 5.41
IFRS 5.38 (ii) As described in note 11, the Group plans to dispose of its bicycle business and anticipates that the disposal will be completed by 31 July 2018. The Group is currently in negotiation with some potential buyers and the directors of the Company expect that the fair value less costs to sell of the business will be higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the assets and liabilities as held for sale nor as at 31 December 2017. The major classes of assets and liabilities of the bicycle business at the end of the reporting period are as follows:

	31/12/17
	CU'000
Goodwill	1,147
Property, plant and equipment	16,944
Inventories	2,090
Trade receivables	720
Cash and bank balances	175
Assets of bicycle business classified as held for sale	21,076
Trade payables	(3,254)
Current tax liabilities	–
Deferred tax liabilities	(430)
Liabilities of bicycle business associated with assets classified as held for sale	(3,684)
Net assets of bicycle business classified as held for sale	17,392

Source	International GAAP Holdings Limited		
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued		
	13. Profit for the year from continuing operations		
IFRS 5.33(d)	Profit for the year from continuing operations is attributable to:		
		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
	Owners of the Company	14,440	17,362
	Non-controlling interests	4,392	3,227
		18,832	20,589
	Profit for the year from continuing operations has been arrived at after charging (crediting):		
		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IFRS 7.20(e)	***13.1 Impairment losses on financial assets***		
	Impairment loss on trade receivables (see note 25)	63	430
	Impairment loss on available-for-sale equity investments	–	–
	Impairment loss on available-for-sale debt investments	–	–
	Impairment loss on held-to-maturity financial assets	–	–
	Impairment loss on loans carried at amortised cost	–	–
		63	430
	Reversal of impairment losses on trade receivables	(103)	–
	13.2 Depreciation and amortisation expense		
	Depreciation of property, plant and equipment	10,632	12,013
IAS 38.118(d)	Amortisation of intangible assets (included in [cost of sales/depreciation and amortisation expense/administrative expense/other expenses])	1,592	1,556
IAS 1.104	Total depreciation and amortisation expense	12,224	13,569
IAS 40.75(f)	***13.3 Direct operating expenses arising from investment property***		
	Direct operating expenses from investment property that generated rental income during the year	1	2
	Direct operating expenses from investment property that did not generate rental income during the year	–	–
		1	2
IAS 38.126	***13.4 Research and development costs expensed as incurred***	502	440

Source	International GAAP Holdings Limited		
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued		
		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
	13.5 Employee benefits expense		
	Post-employment benefits (see note 39)		
IAS 19.51	Defined contribution plans	160	148
IAS 19.56-60	Defined benefit plans	896	440
		1,056	588
IFRS 2.50	Share-based payments (see note 42.1)		
IFRS 2.51(a)	Equity-settled share-based payments	206	338
IFRS 2.51(a)	Cash-settled share-based payments	–	–
		206	338
IAS 19.165, 169	Termination benefits	–	–
	Other employee benefits	9,291	11,025
IAS 1.104	Total employee benefits expense	10,553	11,951

13.6 Exceptional rectification costs

IAS 1.97

Costs of CU4.17 million have been recognised during the year in respect of rectification work to be carried out on goods supplied to one of the Group's major customers, which have been included in [cost of sales/cost of inventories and employee benefits expense] (2016: nil). The amount represents the estimated cost of work to be carried out in accordance with an agreed schedule of works up to 2019. CU1.112 million of the provision has been utilised in the current year, with a provision of CU3.058 million carried forward to meet anticipated expenditure in 2018 and 2019 (see note 35).

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

14. Earnings per share

Commentary:

IAS 33 Earnings per Share *requires that earnings per share (EPS) information be presented in the consolidated financial statements of a group with a parent (and in the separate or individual financial statements of an entity):*

- *whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets); or*
- *that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing ordinary shares in a public market.*

If other entities choose to disclose EPS information voluntarily in their financial statements that comply with IFRSs, the disclosures in relation to the EPS information should comply fully with the requirements set out in IAS 33.

Source		Year ended 31/12/17	Year ended 31/12/16
		Cents per share	Cents per share
	Basic earnings per share		
	From continuing operations	82.1	85.7
IAS 33.68, 68A	From discontinued operations	47.7	49.7
	Total basic earnings per share	129.8	135.4
	Diluted earnings per share		
	From continuing operations	71.9	81.7
IAS 33.68, 68A	From discontinued operations	41.5	47.3
	Total diluted earnings per share	113.4	129.0

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 33.70(a)

14.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Profit for the year attributable to owners of the Company	22,750	27,357
Dividends paid on convertible non-participating preference shares	(120)	(110)
Earnings used in the calculation of basic earnings per share	22,630	27,247
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	(8,310)	(9,995)
Others [describe]	–	–
Earnings used in the calculation of basic earnings per share from continuing operations	14,320	17,252

	Year ended 31/12/17	Year ended 31/12/16
	'000	'000
IAS 33.70(b) Weighted average number of ordinary shares for the purposes of basic earnings per share	17,432	20,130

14.2 Diluted earnings per share

IAS 33.70(a)

The earnings used in the calculation of diluted earnings per share are as follows.

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Earnings used in the calculation of basic earnings per share	22,630	27,247
Interest on convertible notes (after tax at 30%)	77	–
Earnings used in the calculation of diluted earnings per share	22,707	27,247
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	(8,310)	(9,995)
Others [describe]	–	–
Earnings used in the calculation of diluted earnings per share from continuing operations	14,397	17,252

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 33.70(b)

The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows.

	Year ended 31/12/17	Year ended 31/12/16
	'000	'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	17,432	20,130
Shares deemed to be issued for no consideration in respect of:		
– employee options	161	85
– partly paid ordinary shares	1,073	900
– convertible notes	1,350	–
– others [describe]	–	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	20,016	21,115

IAS 33.70(c)

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

	Year ended 31/12/17	Year ended 31/12/16
	'000	'000
[Describe]	–	–

14.3 Impact of changes in accounting policies

IAS 8.28(f)

Changes in the Group's accounting policies during the year are described in detail in note 2.1. The changes in accounting policies affected only the Group's results from continuing operations. To the extent that those changes have had an impact on results reported for 2017 and 2016, they have had an impact on the amounts reported for earnings per share.

The following table summarises that effect on both basic and diluted earnings per share.

Commentary:

In this model, despite the fact that the application of the amendments to IFRSs has not resulted in any retrospective restatement or reclassification of items in the Group's consolidated financial statements (see note 2.1), this note 14.3 has been presented for illustrative purposes only.

	Increase (decrease) in profit for the year attributable to the owners of the Company		Increase (decrease) in basic earnings per share		Increase (decrease) in diluted earnings per share	
	Year ended 31/12/17	Year ended 31/12/16	Year ended 31/12/17	Year ended 31/12/16	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000	Cents per share	Cents per share	Cents per share	Cents per share
Changes in accounting policies relating to:						
– Others (please specify)	–	–	–	–	–	–
	–	–	–	–	–	–

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

15. Property, plant and equipment

Source		31/12/17	31/12/16
		CU'000	CU'000
	Carrying amounts of:		
	Freehold land	13,868	15,050
	Buildings	8,132	11,169
	Plant and equipment	83,187	104,160
IAS 17.31(a)	Equipment under finance lease	28	162
		105,215	130,541

Source		Freehold land at revalued amount	Buildings at revalued amount	Plant and equipment at cost	Equipment under finance lease at cost	Total
IAS 16.73(a) IAS 16.73(d),(e) IAS16.74 (b)		CU'000	CU'000	CU'000	CU'000	CU'000
	Cost or valuation					
	Balance at 1 January 2016	15,610	12,659	152,107	630	181,006
	Additions	–	1,008	10,854	40	11,902
	Disposals	–	–	(27,298)	–	(27,298)
	Acquisitions through business combinations	–	–	–	–	–
	Construction expenditure capitalised	–	–	–	–	–
	Reclassified as held for sale	–	–	–	–	–
	Revaluation increase	–	–	–	–	–
	Effect of foreign currency exchange differences	(560)	–	(288)	–	(848)
	Others [describe]	–	–	–	–	–
IFRS 13.93(e)	Balance at 31 December 2016	15,050	13,667	135,375	670	164,762
	Additions	–	–	21,473	–	21,473
	Disposals	(1,439)	(1,200)	(12,401)	(624)	(15,664)
	Transferred as consideration for acquisition of subsidiary	(400)	–	–	–	(400)
	Derecognised on disposal of a subsidiary	–	–	(8,419)	–	(8,419)
	Acquisitions through business combinations	–	–	512	–	512
	Reclassified as held for sale	(1,260)	(1,357)	(22,045)	–	(24,662)
IFRS 13.91(b)	Revaluation increase/(decrease)	1,608	37	–	–	1,645
	Effect of foreign currency exchange differences	309	–	1,673	–	1,982
	Others [describe]	–	–	–	–	–
	Balance at 31 December 2017	13,868	11,147	116,168	46	141,229

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Source		Freehold land at revalued amount	Buildings at revalued amount	Plant and equipment at cost	Equipment under finance lease at cost	Total
IAS 16.73(a) IAS 16.73(d),(e)		CU'000	CU'000	CU'000	CU'000	CU'000
	Accumulated depreciation and impairment					
	Balance at 1 January 2016	–	(1,551)	(21,865)	(378)	(23,794)
	Eliminated on disposals of assets	–	–	4,610	–	4,610
	Eliminated on revaluation	–	–	–	–	–
	Eliminated on reclassification as held for sale	–	–	–	–	–
	Impairment losses recognised in profit or loss	–	–	–	–	–
	Reversals of impairment losses recognised in profit or loss	–	–	–	–	–
	Depreciation expense	–	(947)	(14,408)	(130)	(15,485)
	Effect of foreign currency exchange differences	–	–	448	–	448
	Others [describe]	–	–	–	–	–
IFRS 13.93(e)	Balance at 31 December 2016	–	(2,498)	(31,215)	(508)	(34,221)
	Eliminated on disposals of assets	–	106	3,602	500	4,208
	Eliminated on disposal of a subsidiary	–	–	2,757	–	2,757
	Eliminated on revaluation	–	(2)	–	–	(2)
	Eliminated on reclassification as held for sale	–	153	6,305	–	6,458
IAS 36.126(a)	Impairment losses recognised in profit or loss	–	–	(1,204)	–	(1,204)
IAS 36.126(b)	Reversals of impairment losses recognised in profit or loss	–	–	–	–	–
	Depreciation expense	–	(774)	(12,834)	(10)	(13,618)
	Effect of foreign currency exchange differences	–	–	(392)	–	(392)
	Others [describe]	–	–	–	–	–
	Balance at 31 December 2017	–	(3,015)	(32,981)	(18)	(36,014)

IAS 16.73(c)

The following useful lives are used in the calculation of depreciation:

Buildings	20 – 30 years
Plant and equipment	5 – 15 years
Equipment under finance lease	5 years

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

15.1 Fair value measurement of the Group's freehold land and buildings

IAS 16.77(a) & (b)

IFRS 13.91(a), 93(d), 93(h)(i)

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 31 December 2017 and 31 December 2016 were performed by Messrs R & P Trent, independent valuers not related to the Group. Messrs R & P Trent are members of the Institute of Valuers of A Land, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined [based on the market comparable approach that reflects recent transaction prices for similar properties/other methods (describe).

The fair value of the buildings was determined using [the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence/other methods (describe)]. The significant inputs include the estimated construction costs and other ancillary expenditure of approximately CU14.7 million (31 December 2016: approximately CU18.1 million), and a depreciation factor applied to the estimated construction cost of approximately 25% (31 December 2016: approximately 23%). A slight increase in the depreciation factor would result in a significant decrease in the fair value of the buildings, and a slight increase in the estimated construction costs would result in a significant increase in the fair value of the buildings, and vice versa.

There has been no change to the valuation technique during the year.

IFRS 13.93(a),(b)

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 2	Level 3	Fair value as at 31/12/17
	CU'000	CU'000	CU'000
A manufacturing plant in A land that contains:			
– freehold land	13,868	–	13,868
– buildings	–	11,147	11,147

	Level 2	Level 3	Fair value as at 31/12/16
	CU'000	CU'000	CU'000
A manufacturing plant in A land that contains:			
– freehold land	15,050	–	15,050
– buildings	–	13,667	13,667

Commentary:

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The above categorisations are for illustrative purpose only. It is worth noting the following points:

- *The classification into the 3-level hierarchy is not an accounting policy choice. For land and buildings, given their unique nature, it is extremely rare that the fair value measurement would be identified as a Level 1 measurement. Whether the fair value measurement in its entirety should be classified into Level 2 or Level 3 would depend on the extent to which the inputs and assumptions used in arriving at the fair value are observable. In many situations where valuation techniques (with significant unobservable inputs) are used in estimating the fair value of the real estate properties, the fair value measurement as a whole would be classified as Level 3.*
- *The level within which the fair value measurement is categorised bears no relation to the quality of the valuation. For example, the fact that a real estate property is classified as a Level 3 fair value measurement does not mean that the property valuation is not reliable – it merely indicates that significant unobservable inputs have been used and significant judgement was required in arriving at the fair value.*

Source	International GAAP Holdings Limited
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued
IFRS 13.93(c)	There were no transfers between Level 1 and Level 2 during the year.
IFRS 13.95	[Where there had been a transfer between different levels of the fair value hierarchy, the Group should disclose the reasons for the transfer and the Group's policy for determining when transfers between levels are deemed to have occurred (for example, at the beginning or end of the reporting period or at the date of the event that caused the transfer).]
IAS 16.77(e)	Had the Group's freehold and buildings (other than land and buildings classified as held for sale or included in a disposal group) been measured on a historical cost basis, their carrying amount would have been as follows.

	31/12/17	31/12/16
	CU'000	CU'000
Freehold land	11,957	13,104
Buildings	7,268	10,340

IAS 36.130(a) to (g)	***15.2 Impairment losses recognised in the year***
	During the year, as the result of the unexpected poor performance of a manufacturing plant, the Group carried out a review of the recoverable amount of that manufacturing plant and the related equipment. These assets are used in the Group's electronic equipment reportable segment. The review led to the recognition of an impairment loss of CU1.09 million, which has been recognised in profit or loss. The Group also estimated the fair value less costs of disposal of the manufacturing plant and the related equipment, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use, which amounted to CU15 million as at 31 December 2017. The discount rate used in measuring value in use was 9% per annum. No impairment assessment was performed in 2016 as there was no indication of impairment.
IAS 36.131	Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to CU0.114 million. These losses are attributable to greater than anticipated wear and tear. Those assets have been impaired in full and they belonged to the Group's electronic equipment reportable segment.
IAS 36.126(a)	The impairment losses have been included in profit or loss in the [other expenses/cost of sales] line item.
IAS 16.74(a)	***15.3 Assets pledged as security***
	Freehold land and buildings with a carrying amount of approximately CU22 million (31 December 2016: approximately CU26.2 million) have been pledged to secure borrowings of the Group (see note 32). The freehold land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.
	In addition, the Group's obligations under finance leases (see note 38) are secured by the lessors' title to the leased assets, which have a carrying amount of CU28,000 (31 December 2016: CU162,000).

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

16. Investment property

		31/12/17	31/12/16
		CU'000	CU'000
	Fair value		
	Completed investment properties	4,968	4,941

		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IAS 40.76	Balance at beginning of year	4,941	4,500
	Additions	10	202
	Acquisitions through business combinations	–	–
	Other acquisitions [describe]	–	–
	Disposals	–	(58)
	Transferred from property, plant and equipment	–	–
	Other transfers [describe]	–	–
	Property reclassified as held for sale	–	–
	Gain/(loss) on property revaluation	30	297
	Effect of foreign currency exchange differences	(13)	–
	Other changes [describe]	–	–
	Balance at end of year	4,968	4,941
	Unrealised gain on property revaluation included in profit or loss (included in other gains and losses) (see note 8)	30	297

All of the Group's investment property is held under freehold interests.

16.1 Fair value measurement of the Group's investment properties

IAS 40.75(e)

IFRS 13.91(a), 93(d)

The fair value of the Group’s investment property as at 31 December 2017 and 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs R & P Trent, independent valuers not related to the Group. Messrs R & P Trent are members of the Institute of Valuers of A Land, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined [based on the market comparable approach that reflects recent transaction prices for similar properties/ capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers’ knowledge of the factors specific to the respective properties / other methods (describe)].

There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 13.93(a),(b)

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 2	Level 3	Fair value as at 31/12/17
	CU'000	CU'000	CU'000
Commercial units located in A Land – BB City	–	1,020	1,020
Office units located in A Land – CC City	–	1,984	1,984
Residential units located in A Land – DD City	1,964	–	1,964
Total			4,968

	Level 2	Level 3	Fair value as at 31/12/16
	CU'000	CU'000	CU'000
Commercial units located in A Land – BB City	–	1,123	1,123
Office units located in A Land – CC City	–	1,964	1,964
Residential units located in A Land – DD City	1,854	–	1,854
Total			4,941

For the residential units located in DD City, A Land, the fair value was derived using the market comparable approach based on recent market prices without any significant adjustments being made to the market observable data.

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

IFRS 13.93(d)

IFRS 13.93(h)(i)

	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Office units located in A Land – CC City	Income Capitalisation Approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of x% – x% (2016: x% – x%).	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average of CU[X] (2016: CU[X]) per square metre ("sqm") per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Commercial units located in A Land – BB City	Income Capitalisation Approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of x% – x% (2016: x% – x%).	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average of CU[X] (2016: CU[X]) per sqm per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Commentary:

In considering the level of disaggregation of the properties for the above disclosure, management of the entity should take into account the nature and characteristics of the properties in order to provide meaningful information to the users of the financial statements regarding the fair value measurement information of the different types of properties. The breakdown above is for illustrative purposes only.

IFRS 13.93(c) There were no transfers between Levels 1 and 2 during the year.

IFRS 13.95 [Where there had been a transfer between the different levels of the fair value hierarchy, the Group should disclose the reasons for the transfer and the Group's policy for determining when transfers between levels are deemed to have occurred (for example, at the beginning or end of the reporting period or at the date of the event that caused the transfer).]

Commentary:

Fair value hierarchy

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The above categorisations are for illustrative purpose only. It is worth noting the following points:

- *The classification into the 3-level hierarchy is not an accounting policy choice. For land and buildings, given their unique nature, it is extremely rare that the fair value measurement would be identified as a Level 1 measurement. Whether the fair value measurement in its entirety should be classified into Level 2 or Level 3 would depend on the extent to which the inputs and assumptions used in arriving at the fair value are observable. In many situations where valuation techniques (with significant unobservable inputs) are used in estimating the fair value of the real estate properties, the fair value measurement as a whole would be classified as Level 3.*
- *The level within which the fair value measurement is categorised bears no relation to the quality of the valuation. For example, the fact that a real estate property is classified as a Level 3 fair value measurement does not mean that the property valuation is not reliable – it merely indicates that significant unobservable inputs have been used and significant judgement was required in arriving at the fair value.*

IFRS 13.97 ***Fair value disclosures for investment properties measured using the cost model***

For investment properties that are measured using the cost model, IAS 40.79(e) requires the fair value of the properties to be disclosed in the notes to the financial statements. In that case, the fair value of the properties (for disclosure purpose) should be measured in accordance with IFRS 13. In addition, IFRS 13.97 requires the following disclosures:

- *the level in which fair value measurement is categorised (i.e. Level 1, 2 or 3);*
- *when the fair value measurement is categorised within Level 2 or Level 3, a description of the valuation technique(s) and the inputs used in the fair value measurement; and*
- *the highest and best use of the properties (if different from their current use) and the reasons why the properties are being used in a manner that is different from their highest and best use.*

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

17. Goodwill

Source		31/12/17	31/12/16
		CU'000	CU'000
	Cost	20,720	24,260
	Accumulated impairment losses	(235)	–
		20,485	24,260

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IFRS 3.B67(d)	*Cost*		
	Balance at beginning of year	24,260	24,120
	Additional amounts recognised from business combinations occurring during the year (note 44)	478	–
	Derecognised on disposal of a subsidiary (note 45)	(3,080)	–
	Reclassified as held for sale (note 12)	(1,147)	–
	Effect of foreign currency exchange differences	209	140
	Others [describe]	–	–
	Balance at end of year	20,720	24,260
	Accumulated impairment losses		
	Balance at beginning of year	–	–
IAS 36.126(a)	Impairment losses recognised in the year	(235)	–
	Derecognised on disposal of a subsidiary	–	–
	Classified as held for sale	–	–
	Effect of foreign currency exchange differences	–	–
	Balance at end of year	(235)	–

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

17.1 Allocation of goodwill to cash-generating units

IAS 36.134, 135

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

- Leisure goods – retail outlets
- Electronic equipment – internet sales
- Construction operations – Murphy Construction
- Construction operations – other.

Before recognition of impairment losses, the carrying amount of goodwill (other than goodwill relating to discontinued operations) was allocated to cash-generating units as follows.

	31/12/17	31/12/16
	CU'000	CU'000
Leisure goods – retail outlets	10,262	9,720
Electronic equipment – internet sales	8,723	8,578
Construction operations – Murphy Construction	235	235
Construction operations – other	1,500	1,500
	20,720	20,033

Leisure goods – retail outlets

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 9% per annum (2016: 8% per annum).

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 5% (2016: 5%) per annum growth rate which is the projected long-term average growth rate for the international leisure goods market. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Electronic equipment – internet sales

The recoverable amount of the 'electronic equipment – internet sales' segment as a cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 9% per annum (2016: 8% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 11% (2016: 10%) per annum growth rate. This growth rate exceeds by 0.5 percentage points the long-term average growth rate for the international electronic equipment market. However, among other factors, the internet sales cash-generating unit benefits from the protection of a 20-year patent on the Series Z electronic equipment, granted in 2012, which is still acknowledged as one of the top models in the market. The steady growth rate of 11% is estimated by the directors of the Company based on past performance of the cash-generating unit and their expectations of market development. The directors estimate that a decrease in growth rate by 1 to 5% would result in the aggregate carrying amount of the cash-generating unit exceeding the recoverable amount of the cash-generating unit by approximately CU 1 to 5 million. The directors believe that any reasonably possible change in the other key assumptions on which recoverable amount is based would not cause the 'electronic equipment – internet sales' carrying amount to exceed its recoverable amount.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Construction operations – Murphy Construction

IAS 36.130

The goodwill associated with Murphy Construction arose when that business was acquired by the Group in 2011. The business has continued to operate on a satisfactory basis, but without achieving any significant increase in market share. During the year, the government of A Land introduced new regulations requiring registration and certification of builders for government contracts. In the light of the decision to focus the Group's construction activities through the other operating units in Subthree Limited, the directors have decided not to register Murphy Construction for this purpose, which means that it has no prospects of obtaining future contracts. The directors have consequently determined to write off the goodwill directly related to Murphy Construction amounting to CU235,000. No other write-down of the assets of Murphy Construction is considered necessary. Contracts in progress at the end of the year will be completed without loss to the Group. The recoverable amount of the Murphy Construction cash-generating unit amounted to CU8,700 as at 31 December 2017.

The impairment loss has been included in profit or loss in the 'other expenses' line item.

Construction operations – other

The recoverable amount of the Group's remaining construction operations has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 9% per annum (2016: 8% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 8% (2016: 8%) per annum growth rate. This growth rate does not exceed the long-term average growth rate for the construction market in A Land. The directors believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the construction operations carrying amount to exceed its recoverable amount.

The key assumptions used in the value in use calculations for the leisure goods and electronic equipment cash-generating units are as follows.

Budgeted market share	Average market share in the period immediately before the budget period, plus a growth of 1-2% of market share per year. The values assigned to the assumption reflect past experience and are consistent with the directors' plans for focusing operations in these markets. The directors believe that the planned market share growth per year for the next five years is reasonably achievable.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements. This reflects past experience, except for efficiency improvements. The directors expect efficiency improvements of 3 - 5% per year to be reasonably achievable.
Raw materials price inflation	Forecast consumer price indices during the budget period for the countries from which raw materials are purchased. The values assigned to the key assumption are consistent with external sources of information.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

18. Other intangible assets

	31/12/17	31/12/16
	CU'000	CU'000
Carrying amounts of:		
Capitalised development	1,194	1,906
Patents	4,369	4,660
Trademarks	706	942
Licenses	3,470	3,817
	9,739	11,325

Source		Capitalised development	Patents	Trademarks	Licenses	Total
		CU'000	CU'000	CU'000	CU'000	CU'000
IAS 38.118(c),(e)	*Cost*					
	Balance at 1 January 2016	3,230	5,825	4,711	6,940	20,706
	Additions from separate acquisitions	–	–	–	–	–
	Additions from internal developments	358	–	–	–	358
	Acquisitions through business combinations	–	–	–	–	–
	Disposals or classified as held for sale	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Others [describe]	–	–	–	–	–
	Balance at 31 December 2016	3,588	5,825	4,711	6,940	21,064
	Additions from separate acquisitions	–	–	–	–	–
	Additions from internal developments	6	–	–	–	6
	Acquisitions through business combinations	–	–	–	–	–
	Disposals or classified as held for sale	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Others [describe]	–	–	–	–	–
	Balance at 31 December 2017	3,594	5,825	4,711	6,940	21,070

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Source		Capitalised development	Patents	Trademarks	Licenses	Total
		CU'000	CU'000	CU'000	CU'000	CU'000
	Accumulated amortisation and impairment					
	Balance at 1 January 2016	(1,000)	(874)	(3,533)	(2,776)	(8,183)
	Amortisation expense	(682)	(291)	(236)	(347)	(1,556)
	Disposals or classified as held for sale	–	–	–	–	–
IAS 36.130(b)	Impairment losses recognised in profit or loss	–	–	–	–	–
IAS 36.130(b)	Reversals of impairment losses recognised in profit or loss	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Others [describe]	–	–	–	–	–
	Balance at 31 December 2016	(1,682)	(1,165)	(3,769)	(3,123)	(9,739)
	Amortisation expense	(718)	(291)	(236)	(347)	(1,592)
	Disposals or classified as held for sale	–	–	–	–	–
IAS 36.130(b)	Impairment losses recognised in profit or loss	–	–	–	–	–
IAS 36.130(b)	Reversals of impairment losses recognised in profit or loss	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Others [describe]	–	–	–	–	–
	Balance at 31 December 2017	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)

IAS 38.118(a) The following useful lives are used in the calculation of amortisation.

Capitalised development	5 years
Patents	10 – 20 years
Trademarks	20 years
Licenses	20 years

18.1 Significant intangible assets

IAS 38.122(b) The Group holds a patent for the manufacture of its Series Z electronic equipment. The carrying amount of the patent of CU2.25 million (31 December 2016: CU2.4 million) will be fully amortised in 15 years (31 December 2016: 16 years).

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

19. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/12/17	31/12/16
Subzero Limited	Manufacture of toys	A Land	Nil	100%
Subone Limited	Manufacture of electronic equipment	A Land	90%	100%
Subtwo Limited	Manufacture of leisure goods	A Land	45%	45%
Subthree Limited	Construction of residential properties	A Land	100%	100%
Subfour Limited	Manufacture of leisure goods	B Land	70%	70%
Subfive Limited	Manufacture of electronic equipment and bicycles	C Land	100%	100%
Subsix Limited	Manufacture of leisure goods	A Land	80%	Nil
Subseven Limited	Manufacture of leisure goods	A Land	100%	Nil
C Plus Limited (ii)	Manufacture of electronic equipment	A Land	45%	45%

Commentary:

IFRSs do not explicitly require an entity to disclose a list of its subsidiaries in the consolidated financial statements. Nevertheless, local laws or regulations may require an entity to make such a disclosure. The above disclosure is for information only and may have to be modified to comply with the additional local requirements.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

19.1 Composition of the Group

IFRS 12.10(a)(i)
IFRS 12.4
IFRS 12.B4(a)
IFRS 12.B5-B6

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		31/12/17	31/12/16
Manufacture of electronic equipment	A Land	–	1
	C Land	1	1
Manufacture of leisure goods	A Land	1	–
Construction	A Land	1	1
Toys manufacturing	A Land	–	1
		3	4

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries	
		31/12/17	31/12/16
Manufacture of electronic equipment	A Land	2	1
Manufacture of leisure goods	A Land	2	1
	B Land	1	1
		5	3

Details of non-wholly owned subsidiaries that have material non-controlling interests to the Group are disclosed in note 19.2 below.

19.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

IFRS 12.10(a)(ii)
IFRS 12.12(a) – (f)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

IFRS 12.B11

Commentary:

- *For illustrative purposes, the following non-wholly subsidiaries are assumed to have non-controlling interests that are material to the Group.*
- *The amounts disclosed below do not reflect the elimination of intragroup transactions.*

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Name of subsidiary	Principal place of business and place of incorporation (if different)	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
				CU'000	CU'000	CU'000	CU'000
Subtwo Limited (i)	A Land	55%	55%	1,180	860	10,320	9,140
Subfour Limited	A Land	30%	30%	1,020	980	10,680	9,660
C Plus Limited (ii)	A Land	55%	55%	392	464	2,445	2,053
Individually immaterial subsidiaries with non-controlling interests						3,316	1,205
Total						26,761	22,058

IFRS 12.9(b)

(i) The Group owns 45% equity shares of Subtwo Limited. However, based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of Subtwo Limited. The relevant activities of Subtwo Limited are determined by the board of directors of Subtwo Limited based on simple majority votes. Therefore, the directors of the Group concluded that the Group has control over Subtwo Limited and Subtwo Limited is consolidated in these financial statements.

(ii) C Plus Limited is listed on the stock exchange of A Land. Although the Group has only 45% ownership in C Plus Limited, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of C Plus Limited on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The 55% ownership interests in C Plus Limited are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 2%.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 12.12(g)
IFRS 12.B10
IFRS 12.B11

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Subtwo Limited	31/12/17	31/12/16
	CU'000	CU'000
Current assets	22,132	20,910
Non-current assets	6,232	6,331
Current liabilities	(4,150)	(5,373)
Non-current liabilities	(5,450)	(5,250)
Equity attributable to owners of the Company	8,444	7,478
Non-controlling interests	10,320	9,140

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Revenue	4,280	4,132
Expenses	(2,134)	(2,568)
Profit (loss) for the year	2,146	1,564
Profit (loss) attributable to owners of the Company	966	704
Profit (loss) attributable to the non-controlling interests	1,180	860
Profit (loss) for the year	2,146	1,564
Other comprehensive income attributable to owners of the Company	–	–
Other comprehensive income attributable to the non-controlling interests	–	–
Other comprehensive income for the year	–	–
Total comprehensive income attributable to owners of the Company	966	704
Total comprehensive income attributable to the non-controlling interests	1,180	860
Total comprehensive income for the year	2,146	1,564
Dividends paid to non-controlling interests	–	–
Net cash inflow (outflow) from operating activities	3,056	1,321
Net cash inflow (outflow) from investing activities	(200)	765
Net cash inflow (outflow) from financing activities	(2,465)	(163)
Net cash inflow (outflow)	391	1,923

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Subfour Limited

	31/12/17	31/12/16
	CU'000	CU'000
Current assets	32,100	31,400
Non-current assets	10,238	10,441
Current liabilities	(1,617)	(4,299)
Non-current liabilities	(5,121)	(5,342)
Equity attributable to owners of the Company	24,920	22,540
Non-controlling interests	10,680	9,660

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Revenue	6,200	6,101
Expenses	(2,800)	(2,834)
Profit (loss) for the year	3,400	3,267
Profit (loss) attributable to owners of the Company	2,380	2,287
Profit (loss) attributable to the non-controlling interests	1,020	980
Profit (loss) for the year	3,400	3,267
Other comprehensive income attributable to owners of the Company	–	–
Other comprehensive income attributable to the non-controlling interests	–	–
Other comprehensive income for the year	–	–
Total comprehensive income attributable to owners of the Company	2,380	2,287
Total comprehensive income attributable to the non-controlling interests	1,020	980
Total comprehensive income for the year	3,400	3,267
Dividends paid to non-controlling interests	–	–
Net cash inflow (outflow) from operating activities	4,405	2,050
Net cash inflow (outflow) from investing activities	(330)	1,148
Net cash inflow (outflow) from financing activities	(3,489)	(315)
Net cash inflow (outflow)	586	2,883

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

C Plus Limited

	31/12/17	31/12/16
	CU'000	CU'000
Current assets	1,530	3,517
Non-current assets	3,625	1,070
Current liabilities	(280)	(266)
Non-current liabilities	(430)	(588)
Equity attributable to owners of the Company	2,000	1,680
Non-controlling interests	2,445	2,053

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Revenue	2,165	2,285
Expenses	(1,453)	(1,441)
Profit (loss) for the year	712	844
Profit (loss) attributable to owners of the Company	320	380
Profit (loss) attributable to the non-controlling interests	392	464
Profit (loss) for the year	712	844
Other comprehensive income attributable to owners of the Company	–	–
Other comprehensive income attributable to the non-controlling interests	–	–
Other comprehensive income for the year	–	–
Total comprehensive income attributable to owners of the Company	320	380
Total comprehensive income attributable to the non-controlling interests	392	464
Total comprehensive income for the year	712	844
Dividends paid to non-controlling interests	–	–
Net cash inflow (outflow) from operating activities	(63)	359
Net cash inflow (outflow) from investing activities	373	(39)
Net cash inflow (outflow) from financing activities	(160)	(120)
Net cash inflow (outflow)	150	200

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

19.3 Change in the Group's ownership interest in a subsidiary

IFRS 12.18

During the year, the Group disposed of 10% of its interest in Subone Limited, reducing its continuing interest to 90%. The proceeds on disposal of CU213,000 were received in cash. An amount of CU179,000 (being the proportionate share of the carrying amount of the net assets of Subone Limited) has been transferred to non-controlling interests (see note 31). The difference of CU34,000 between the increase in the non-controlling interests and the consideration received has been credited to retained earnings (see note 30).

19.4 Significant restrictions

IFRS 12.13

[When there are significant restrictions on the Company's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group, the Group should disclose the nature and extent of significant restrictions. Please see IFRS 12.13 for details.]

19.5 Financial support

IFRS 12.14-17

[When the Group gives financial support to a consolidated structured entity, the nature and risks (including the type and amount of support provided) should be disclosed in the financial statements. Please see IFRS 12.14 – 17 for details.]

20. Associates

20.1 Details of material associates

IFRS 12.21(a)

Details of each of the Group's material associates at the end of the reporting period are as follows:

Commentary:

For illustrative purposes, the following associates are assumed to be material to the Group.

Name of associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Group	
			31/12/17	31/12/16
A Plus Limited (i) & (ii)	Transport	M Land	35%/37%	35%/37%
B Plus Limited (iii)	Steel manufacturing	A Land	17%	17%

IFRS 12.21(b)(i)

All of the above associates are accounted for using the equity method in these consolidated financial statements.

IFRS 12.21(a)(iv)

(i) Pursuant to a shareholder agreement, the Company has the right to cast 37% of the votes at shareholder meetings of A Plus Limited.

IFRS 12.22(b)
IFRS 12.21(b)(iii)
IFRS 13.97

(ii) The financial year end date of A Plus Limited is 31 October. This was the reporting date established when that company was incorporated, and a change of reporting date is not permitted in M Land. For the purposes of applying the equity method of accounting, the financial statements of A Plus Limited for the year ended 31 October 2017 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2016. As at 31 December 2017, the fair value of the Group's interest in A Plus Limited, which is listed on the stock exchange of M Land, was CU8 million (31 December 2017: CU7.8 million) based on the quoted market price available on the stock exchange of M Land, which is a level 1 input in terms of IFRS 13.

IFRS 12.9(e)

(iii) Although the Group holds less than 20% of the equity shares of B Plus Limited, and it has less than 20% of the voting power at shareholder meetings, the Group exercises significant influence by virtue of its contractual right to appoint two out of seven directors to the board of directors of that company.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 12.21(b)(ii) IFRS 12.B12 IFRS 12.B14(a)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs [adjusted by the Group for equity accounting purposes].

A Plus Limited	31/12/17	31/12/16
	CU'000	CU'000
Current assets	10,010	9,061
Non-current assets	4,902	4,001
Current liabilities	(3,562)	(3,061)
Non-current liabilities	(4,228)	(4,216)

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Revenue	2,554	2,560
Profit or loss from continuing operations	1,337	1,332
Post-tax profit (loss) from discontinued operations	–	–
Profit (loss) for the year	1,337	1,332
Other comprehensive income for the year	–	–
Total comprehensive income for the year	1,337	1,332
Dividends received from the associate during the year	30	25

IFRS 12.B14(b)

Reconciliation of the above summarised financial information to the carrying amount of the interest in A Plus Limited recognised in the consolidated financial statements:

	31/12/17	31/12/16
	CU'000	CU'000
Net assets of the associate	7,122	5,785
Proportion of the Group's ownership interest in A Plus Limited	35%	35%
Goodwill	–	–
Other adjustments (please specify)	–	–
Carrying amount of the Group's interest in A Plus Limited	2,492	2,025

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 12.21(b)(ii)
IFRS 12.B12
IFRS 12.B14(a)

B Plus Limited

	31/12/17	31/12/16
	CU'000	CU'000
Current assets	19,151	18,442
Non-current assets	18,460	17,221
Current liabilities	(15,981)	(14,220)
Non-current liabilities	(6,206)	(8,290)

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Revenue	5,790	5,890
Profit or loss from continuing operations	2,271	2,262
Post-tax profit (loss) from discontinued operations	–	–
Profit (loss) for the year	2,271	2,262
Other comprehensive income for the year	–	–
Total comprehensive income for the year	2,271	2,262
Dividends received from the associate during the year	–	–

IFRS 12.B14(b)

Reconciliation of the above summarised financial information to the carrying amount of the interest in B Plus Limited recognised in the consolidated financial statements:

	31/12/17	31/12/16
	CU'000	CU'000
Net assets of the associate	15,424	13,153
Proportion of the Group's ownership interest in B Plus Limited	17%	17%
Goodwill	–	–
Other adjustments (please specify)	–	–
Carrying amount of the Group's interest in B Plus Limited	2,622	2,236

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 12.21(c)(ii)
IFRS 12.B16

Aggregate information of associates that are not individually material	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
The Group's share of profit (loss) from continuing operations	12	358
The Group's share of post-tax profit (loss) from discontinued operations	–	–
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive income	12	358
Aggregate carrying amount of the Group's interests in these associates	288	1,337

IFRS 12.22(c)

Unrecognised share of losses of an associate	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
The unrecognised share of loss of an associate for the year	–	–

	31/12/17	31/12/16
	CU'000	CU'000
Cumulative share of loss of an associate	–	–

20.2 Change in the Group's ownership interest in an associate

IAS 28.22

In the prior year, the Group held a 40% interest in E Plus Limited and accounted for the investment as an associate. In December 2017, the Group disposed of a 30% interest in E Plus Limited to a third party for proceeds of CU1.245 million (received in January 2018). The Group has accounted for the remaining 10% interest as an available-for-sale investment whose fair value at the date of disposal was CU360,000, which was determined using a discounted cash flow model (please describe key factors and assumptions used in determining the fair value). This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

		CU'000
Proceeds of disposal		1,245
Plus:	fair value of investment retained (10%)	360
Less:	carrying amount of investment on the date of loss of significant influence	(1,024)
Gain recognised		581

The gain recognised in the current year comprises a realised profit of CU477,000 (being the proceeds of CU1.245 million less CU768,000 carrying amount of the interest disposed of) and an unrealised profit of CU104,000 (being the fair value less the carrying amount of the 10% interest retained). A current tax expense of CU143,000 arose on the gain realised in the current year, and a deferred tax expense of CU32,000 has been recognised in respect of the portion of the profit recognised that is not taxable until the remaining interest is disposed of.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

20.3 Significant restriction

IFRS 12.22(a)

[When there are significant restrictions on the ability of associates to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group, the Group should disclose the nature and extent of significant restrictions in the financial statements. Please see IFRS 12.22(a) for details.]

20A. Joint ventures

Commentary:

In this model, the Group only has one joint venture, JV Electronics Limited, and for illustrative purposes, JV Electronics Limited is assumed to be material to the Group.

20A.1 Details of material joint ventures

IFRS 12.21(a)

Details of the Group's material joint venture at the end of the reporting period is as follows:

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group	
			31/12/17	31/12/16
JV Electronics Limited	Manufacture of electronic equipment	C Land	33%	33%

IFRS 12.21(b)(i)

The above joint venture is accounted for using the equity method in these consolidated financial statements.

IFRS 12.B14

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs [adjusted by the Group for equity accounting purposes].

IFRS 12.21(b)(ii)
IFRS 12.B12
IFRS 12.B14(a)

JV Electronics Limited	31/12/17	31/12/16
	CU'000	CU'000
Current assets	5,454	7,073
Non-current assets	23,221	20,103
Current liabilities	(2,836)	(3,046)
Non-current liabilities	(13,721)	(13,033)

IFRS 12.B13

The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	–	–
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(12,721)	(12,373)

Source	International GAAP Holdings Limited		
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued		
		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
	Revenue	6,436	6,076
	Profit or loss from continuing operations	1,021	733
	Post-tax profit (loss) from discontinued operations	–	–
	Profit (loss) for the year	1,021	733
	Other comprehensive income for the year	–	–
	Total comprehensive income for the year	1,021	733
	Dividends received from the joint venture during the year	–	–
IFRS 12.B13	The above profit (loss) for the year include the following:		
	Depreciation and amortisation	200	180
	Interest income	–	–
	Interest expense	56	48
	Income tax expense (income)	–	–

Source			
IFRS 12.B14(b)	Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:		
		31/12/17	31/12/16
		CU'000	CU'000
	Net assets of the joint venture	12,118	11,097
	Proportion of the Group's ownership interest in the joint venture	33%	33%
	Goodwill	–	–
	Other adjustments (please specify)	–	–
	Carrying amount of the Group's interest in the joint venture	3,999	3,662

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 12.21(c)(i)
IFRS 12.B16

Aggregate information of joint ventures that are not individually material	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
The Group's share of profit (loss) from continuing operations	–	–
The Group's share of post-tax profit (loss) from discontinued operations	–	–
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive income	–	–
Aggregate carrying amount of the Group's interests in these joint ventures	–	–

IFRS 12.22(c)

Unrecognised share of losses of a joint venture	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
The unrecognised share of loss of a joint venture for the year	–	–

	31/12/17	31/12/16
	CU'000	CU'000
Cumulative share of loss of a joint venture	–	–

20A.2 Significant restriction

IFRS 12.22(a)

[When there are significant restrictions on the ability of joint ventures to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group, the Group should disclose the nature and extent of significant restrictions in the financial statements. Please see IFRS 12.22(a) for details.]

21. Joint operations

IFRS 12.21(a)

The Group has a material joint operation, Project ABC. The Group has a 25% share in the ownership of a property located in Central District, City A. The property upon completion will be held for leasing purposes. The Group is entitled to a proportionate share of the rental income received and bears a proportionate share of the joint operation's expenses.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 7.7

22. Other financial assets

Source		31/12/17	31/12/16
		CU'000	CU'000
IFRS 7.7, 22(b)	***Derivatives designated and effective as hedging instruments carried at fair value***		
	Foreign currency forward contracts	244	220
	Interest rate swaps	284	177
		528	397
IFRS 7.8(a)	***Financial assets carried at fair value through profit or loss (FVTPL)***		
	Non-derivative financial assets designated as at FVTPL	–	–
	Held for trading derivatives that are not designated in hedge accounting relationships		
	Held for trading non-derivative financial assets	1,539	1,639
		1,539	1,639
IFRS 7.8(b)	***Held-to-maturity investments carried at amortised cost***		
	Bills of exchange (i)	5,405	4,015
	Debentures (ii)	500	–
		5,905	4,015
IFRS 7.8(d)	***Available-for-sale investments carried at fair value***		
	Redeemable notes (iii)	2,200	2,180
	Shares (iv)	5,719	5,285
		7,919	7,465
IFRS 7.8(c)	***Loans carried at amortised cost***		
	Loans to related parties (v)	3,637	3,088
	Loans to other entities	–	–
		3,637	3,088
		19,528	16,604
	Current	8,757	6,949
	Non-current	10,771	9,655
		19,528	16,604

IFRS 7.7

(i) The Group holds bills of exchange that carry interest at variable rate. The weighted average interest rate on these securities is 7.10% per annum (2016: 7.0% per annum). The bills have maturity dates ranging between 3 to 18 months from the end of the reporting period. The counterparties have a minimum A credit rating. None of these assets had been past due or impaired at the end of the reporting period.

(ii) The debentures carry interest at 6% per annum payable monthly, and mature in March 2018. The counterparties have a minimum B credit rating. None of these assets had been past due or impaired at the end of the reporting period.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

(iii) The Group holds listed redeemable notes that carry interest at 7% per annum. The notes are redeemable at par value in 2019. The notes are held with a single counterparty with an AA credit rating. The Group holds no collateral over this balance.

IFRS 12.9(d)

(iv) The Group holds 20% of the ordinary share capital of Rocket Corp Limited, a company involved in the refining and distribution of fuel products. The directors of the Company do not consider that the Group is able to exercise significant influence over Rocket Corp Limited as the other 80% of the ordinary share capital is held by one shareholder, who also manages the day-to-day operations of that company.

At 31 December 2017, the Group also continues to hold a 10% interest in E Plus Limited, a former associate (see note 20).

IAS 24.18(b)

(v) The Group has provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest. Further information about these loans is set out in note 43.

IAS 1.77

23. Other assets

	31/12/17	31/12/16
	CU'000	CU'000
Prepayments	–	–
Others [describe]	–	–
	–	–
Current	–	–
Non-current	–	–
	–	–

IAS 2.36(b)

24. Inventories

	31/12/17	31/12/16
	CU'000	CU'000
Raw materials	9,972	10,322
Work in progress	4,490	4,354
Finished goods	13,211	10,456
	27,673	25,132

IAS 2.36(d)

The cost of inventories recognised as an expense during the year in respect of continuing operations was CU87.7million (31 December 2016: CU91.6million).

IAS 2.36(e),(f),(g)

The cost of inventories recognised as an expense includes CU2.34 million (2016: CU1.86 million) in respect of write-downs of inventory to net realisable value, and has been reduced by CU0.5 million (2016: CU0.4 million) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

IAS 1.61

Inventories of CU1.29 million (31 December 2016: CU0.86 million) are expected to be recovered after more than twelve months.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

25. Trade and other receivables

	31/12/17	31/12/16
	CU'000	CU'000
Trade receivables	17,408	14,562
Allowance for doubtful debts	(798)	(838)
	16,610	13,724
Deferred sales proceeds		
– toy manufacturing operations (see note 45)	960	–
– partial disposal of E Plus Limited (see note 20)	1,245	–
Operating lease receivable	–	–
Others [describe]	54	20
	18,869	13,744

25.1 Trade receivables

IFRS 7.33(b)

The average credit period on sales of goods is 60 days. No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

IFRS 7.34(c), 36(c)

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 80% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group. Of the trade receivables balance at the end of the year, CU6.9 million (31 December 2016: CU5.9 million) is due from Company A, the Group's largest customer (see notes 6.7 and 40.9).There are no other customers who represent more than 5% of the total balance of trade receivables.

IFRS 7.37

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 60 days outstanding) are still considered recoverable.

IFRS 7.37(a)

Age of receivables that are past due but not impaired

	31/12/17	31/12/16
	CU'000	CU'000
60-90 days	1,100	700
91-120 days	462	333
Total	1,562	1,033
Average age (days)	84	85

Source	International GAAP Holdings Limited
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued
IFRS 7.16	Movement in the allowance for doubtful debts

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Balance at beginning of the year	838	628
Impairment losses recognised on receivables	63	430
Amounts written off during the year as uncollectible	–	(220)
Amounts recovered during the year	–	–
Impairment losses reversed	(103)	–
Foreign exchange translation gains and losses	–	–
Unwind of discount	–	–
Balance at end of the year	798	838

IFRS 7.33(a),(b) — In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

IFRS 7.37(b) — Included in the allowance for doubtful debts are individually impaired trade receivables amounting to CU63,000 (31 December 2016: CU430,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

IFRS 7.37(b) — Age of impaired trade receivables

	31/12/17	31/12/16
	CU'000	CU'000
60-90 days	353	320
91-120 days	191	101
121+ days	654	717
Total	1,198	1,138

25.2 Transfer of financial assets

IFRS 7.14(a), 42D(a), (b), (c), (f) — During the year, the Group discounted trade receivables with an aggregate carrying amount of CU1.052 million to a bank for cash proceeds of CU1 million. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 32).

IFRS 7.42D(e) — At the end of the reporting period, the carrying amount of the trade receivables that have been transferred but have not been derecognised amounted to CU0.946 million and the carrying amount of the associated liability is CU0.923 million.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

26. Finance lease receivables

	31/12/17	31/12/16
	CU'000	CU'000
Current finance lease receivables	198	188
Non-current finance lease receivables	830	717
	1,028	905

26.1 Leasing arrangements

IAS 17.47(f)
IFRS 7.7

The Group entered into finance lease arrangements for certain of its storage equipment. All leases are denominated in Currency Units. The average term of finance leases entered into is 4 years.

26.2 Amounts receivable under finance leases

Source		Minimum lease payments		Present value of minimum lease payments	
IAS 17.47(a)		31/12/17	31/12/16	31/12/17	31/12/16
		CU'000	CU'000	CU'000	CU'000
	Not later than one year	282	279	198	188
	Later than one year and not later than five years	1,074	909	830	717
	Later than five years	–	–	–	–
		1,356	1,188	1,028	905
IAS 17.47(b)	Less: unearned finance income	(328)	(283)	n/a	n/a
	Present value of minimum lease payments receivable	1,028	905	1,028	905
IAS 17.47(d)	Allowance for uncollectible lease payments	–	–	–	–
		1,028	905	1,028	905

IAS 17.47(c)

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at CU37,000 (31 December 2016: CU42,000).

IFRS 7.7

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 10.5% (31 December 2016: 11%) per annum.

IFRS 7.36(c)

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

27. Amounts due from (to) customers under construction contracts

Source		31/12/17	31/12/16
		CU'000	CU'000
	Contracts in progress at the end of the reporting period		
IAS 11.40(a)	Construction costs incurred plus recognised profits less recognised losses to date	1,517	1,386
	Less: progress billings	(1,313)	(1,171)
		204	215
	Recognised and included in the consolidated financial statements as amounts due:		
IAS 11.42(a)	– from customers under construction contracts	240	230
IAS 11.42(b)	– to customers under construction contracts	(36)	(15)
		204	215

IAS 11.40(b),(c) At 31 December 2017, retentions held by customers for contract work amounted to CU75,000 (31 December 2016: CU69,000). Advances received from customers for contract work amounted to CU14,000 (31 December 2016: nil).

Commentary:

Notes 28 to 31 below set out detailed descriptions and reconciliations for each class of share capital and each component of equity, as required by IAS 1.79, IAS 1.106 and IAS 1.106A. IAS 1 permits some flexibility regarding the level of detail presented in the statement of changes in equity and these supporting notes. IAS 1 allows an analysis of other comprehensive income by item for each component of equity to be presented either in the statement of changes in equity or in the notes. For the purposes of the preparation of this model, the Group has elected to present the analysis of other comprehensive income in the notes.

IAS 1 also allows that some of the details regarding items of other comprehensive income (income tax and reclassification adjustments) may be disclosed in the notes rather than in the statement of profit or loss and other comprehensive income. Entities will determine the most appropriate presentation for their circumstances – electing to present much of the detail in the notes (as we have done in these model financial statements) ensures that the primary financial statements are not cluttered by unnecessary detail, but it does result in very detailed supporting notes.

Whichever presentation is selected, entities will need to ensure that the following requirements are met:

- *detailed reconciliations are required for each class of share capital (in the statement of changes in equity or in the notes);*
- *detailed reconciliations are required for each component of equity – separately disclosing the impact on each such component of (i) profit or loss, (ii) each item of other comprehensive income, and (iii) transactions with owners in their capacity as owners (in the statement of changes in equity or in the notes);*
- *the amount of income tax relating to each item of other comprehensive income should be disclosed (in the statement of profit or loss and other comprehensive income or in the notes); and*
- *reclassification adjustments should be presented separately from the related item of other comprehensive income (in the statement of profit or loss and other comprehensive income or in the notes).*

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

28. Issued capital

Source		31/12/17	31/12/16
		CU'000	CU'000
	Share capital	17,819	23,005
	Share premium	14,620	25,667
		32,439	48,672
	Issued capital comprises:		
IAS 1.79(a)	14,844,000 fully paid ordinary shares (31 December 2016: 20,130,000)	29,469	45,797
IAS 1.79(a)	2,500,000 partly paid ordinary shares (31 December 2016: 2,500,000)	1,775	1,775
IAS 1.79(a)	1,200,000 fully paid 10% convertible non-participating preference shares (31 December 2016: 1,100,000)	1,195	1,100
		32,439	48,672

IAS 1.79(a)

28.1 Fully paid ordinary shares

	Number of shares	Share capital	Share premium
	'000	CU'000	CU'000
Balance at 1 January 2016	20,130	20,130	25,667
Movements [describe]	–	–	–
Balance at 31 December 2016	20,130	20,130	25,667
Issue of shares under the Company's employee share option plan (see note 42.1)	314	314	–
Issue of shares for consulting services	3	3	5
Share buy-back	(5,603)	(5,603)	(10,853)
Share buy-back costs	–	–	(277)
Income tax relating to share buy-back costs	–	–	83
Balance at 31 December 2017	14,844	14,844	14,625

Fully paid ordinary shares, which have a par value of CU1, carry one vote per share and carry a right to dividends.

IFRS 2.48 — The fair value of shares issued for consulting services was determined by reference to the market rate for similar consulting services.

The shares bought back in the current year were cancelled immediately.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 1.79(a)

28.2 Partly paid ordinary shares

	Number of shares	Share capital	Share premium
	'000	CU'000	CU'000
Balance at 1 January 2016	2,500	1,775	–
Movements [describe]	–	–	–
Balance at 31 December 2016	2,500	1,775	–
Movements [describe]	–	–	–
Balance at 31 December 2017	2,500	1,775	–

Partly paid ordinary shares, which have a par value of CU1, carry one vote per share but do not carry a right to dividends.

IAS 1.79(a)

28.3 Convertible non-participating preference shares

	Number of shares	Share capital	Share premium
	'000	CU'000	CU'000
Balance at 1 January 2016	1,100	1,100	–
Movements [describe]	–	–	–
Balance at 31 December 2016	1,100	1,100	–
Issue of shares	100	100	–
Share issue costs	–	–	(6)
Income tax relating to share issue costs	–	–	1
Balance at 31 December 2017	1,200	1,200	(5)

Convertible non-participating preference shares, which have a par value of CU1, are entitled to receive a discretionary 10% preference dividend before any dividends are declared to the ordinary shareholders. The convertible non-participating preference shares can be converted into ordinary shares on a one-for-one basis at the option of the holder from 1 November 2020 to 31 October 2023. Any unconverted preference shares remaining after the end of the conversion period will remain as outstanding non-participating preference shares. Convertible non-participating preference shares have no right to share in any surplus assets or profits and no voting rights.

28.4 Share options granted under the Company's employee share option plan

IAS 1.79(a)

At 31 December 2017, executives and senior employees held options over 196,000 ordinary shares of the Company, of which 136,000 will expire on 30 March 2018 and 60,000 will expire on 28 September 2018. At 31 December 2016, executives and senior employees held options over 290,000 ordinary shares of the Company, of which 140,000 were due to expire on 30 March 2017 and 150,000 were due to expire on 29 September 2017.

Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 42.1.

28.5 Redeemable cumulative preference shares

The redeemable cumulative preference shares issued by the Company have been classified as liabilities (see note 34).

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

29. Reserves (net of income tax)

	31/12/17	31/12/16
	CU'000	CU'000
General	807	807
Properties revaluation	1,198	51
Investments revaluation	593	527
Equity-settled employee benefits	544	338
Cash flow hedging	317	278
Foreign currency translation	186	225
Option premium on convertible notes	592	–
Others [describe]	–	–
	4,237	2,226

IAS 1.106(d)

29.1 General reserve

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Balance at beginning of year	807	807
Movements [describe]	–	–
Balance at end of year	807	807

IAS 1.79(b)

The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. There is no policy of regular transfer. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

Source	International GAAP Holdings Limited
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued
IAS 1. 90 IAS 1.106(d) IAS 1.106A	***29.2 Properties revaluation reserve***

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IAS 16.77(f)	Balance at beginning of year	51	51
	Increase arising on revaluation of properties	1,643	–
IAS 36.126(c)	Impairment losses	–	–
IAS 36.126(d)	Reversals of impairment losses	–	–
	Deferred tax liability arising on revaluation	(493)	–
	Reversal of deferred tax liability on revaluation	–	–
	Transferred to retained earnings	(3)	–
	Others [describe]	–	–
	Balance at end of year	1,198	51

IAS 1.79(b)
IAS 1.82A

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the properties revaluation reserve will not be reclassified subsequently to profit or loss.

IAS 16.77(f)

Distributions from the properties revaluation reserve can be made where they are in accordance with the requirements of the Company's constitution, the Corporations Act and relevant case law. Amounts may also be effectively distributed out of the properties revaluation reserve as part of a share buy-back. Generally, there is no restriction on the payment of 'bonus shares' out of the properties revaluation reserve. However, the payment of cash distributions out of the reserve is restricted by the terms of the Company's constitution. These restrictions do not apply to any amounts transferred to retained profits. The directors do not currently intend to make any distribution from the properties revaluation reserve.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 1. 90
IAS 1.106(d)
IAS 1.106A

29.3 Investments revaluation reserve

Source		Year ended 31/12/17 CU'000	Year ended 31/12/16 CU'000
	Balance at beginning of year	527	470
IFRS 7.20(a)	Net gain arising on revaluation of available-for-sale financial assets	94	81
	Income tax relating to gain arising on revaluation of available-for-sale financial assets	(28)	(24)
IFRS 7.20(a)	Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	–	–
IFRS 7.20(a)	Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	–	–
	Balance at end of year	593	527

IAS 1.79(b)
IAS 1.82A

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

IAS 1.106(d)

29.4 Equity-settled employee benefits reserve

	Year ended 31/12/17 CU'000	Year ended 31/12/16 CU'000
Balance at beginning of year	338	–
Arising on share-based payments	206	338
Others [describe]	–	–
Balance at end of year	544	338

IAS 1.79(b)

The above equity-settled employee benefits reserve relates to share options granted by the Company to its employees under its employee share option plan. Further information about share-based payments to employees is set out in note 42.1.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 1.90
IAS 1.106(d)
IAS 1.106A

29.5 Cash flow hedging reserve

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
	Balance at beginning of year	278	258
IFRS 7.23(c)	Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
	Forward foreign exchange contracts	209	(41)
	Interest rate swaps	227	357
	Currency swaps	–	–
	Income tax related to gains/losses recognised in other comprehensive income	(131)	(95)
IFRS 7.23(d)	Cumulative (gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss		
	Forward foreign exchange contracts	(3)	–
	Interest rate swaps	(120)	(86)
	Currency swaps	–	–
	Income tax related to amounts reclassified to profit or loss	37	26
IFRS 7.23(e)	Transferred to initial carrying amount of hedged items		
	Forward foreign exchange contracts	(257)	(201)
	Income tax related to amounts transferred to initial carrying amount of hedged item	77	60
	Others [describe]	–	–
	Balance at end of year	317	278

IAS 1.79(b)
IAS 1.82A

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Group's accounting policy.

IFRS 7.23(d)

Cumulative (gains)/ losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line items:

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Revenue	–	–
Other income	–	–
Finance costs	(120)	(86)
Other expenses	(3)	–
Income tax expense	114	86
Others [describe]	–	–
	(9)	–

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 1.90
IAS 1.106(d)
IAS 1.106A
IAS 1.82A

29.6 Foreign currency translation reserve

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Balance at beginning of year	225	140
Exchange differences arising on translating the foreign operations	75	121
Income tax relating to gains arising on translating the net assets of foreign operations	(22)	(36)
Loss on hedging instruments designated in hedges of the net assets of foreign operations	(12)	–
Income tax relating to loss on hedge of the net assets of foreign operations	4	–
Gain/loss reclassified to profit or loss on disposal of foreign operations	(166)	–
Income tax related to gain/loss reclassified on disposal of foreign operations	51	–
Gain/loss on hedging instruments reclassified to profit or loss on disposal of foreign operations	46	–
Income tax related to gain/loss on hedging instruments reclassified on disposal of foreign operation	(15)	–
Others (describe)	–	–
Balance at end of year	186	225

IAS 1.79(b)
IAS 1.82A

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Currency Units) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

IAS 1.106(d)

29.7 Option premium on convertible notes

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Balance at beginning of year	–	–
Recognition of option premium on issue of convertible notes	834	–
Related income tax	(242)	–
Balance at end of year	592	–

IAS 1.79(b)

The option premium on convertible notes represents the equity component (conversion rights) of the CU4.5 million 5.5% convertible notes issued during the year (see note 33).

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 1.106(b), (d)
IAS 1.106A

30. Retained earnings and dividends on equity instruments

	31/12/17	31/12/16
	CU'000	CU'000
Retained earnings	111,539	95,378

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Balance at beginning of year	95,378	74,366
Profit attributable to owners of the Company	22,750	27,357
Other comprehensive income arising from remeasurement of defined benefit obligation net of income tax	564	134
Difference arising on disposal of interest in Subone Limited (see note 19.3)	34	–
Payment of dividends	(6,635)	(6,479)
Share buy-back	(555)	–
Related income tax	–	–
Transfer from properties revaluation reserve	3	–
Others [describe]	–	–
Balance at end of year	111,539	95,378

IAS 1.107

On 23 May 2017, a dividend of 32.1 cents per share (total dividend CU6.515 million) was paid to holders of fully paid ordinary shares. In May 2016, the dividend paid was 31.64 cents per share (total dividend CU6.369 million).

Dividends of 10 cents per share were paid on convertible non-participating preference shares during the year (2016: 10 cents per share) amounting to a total dividend of CU0.12 million (2016: CU0.11 million).

IAS 1.137(a)
IAS 10.13

In respect of the current year, the directors propose that a dividend of 26.31 cents per share be paid to shareholders on 25 May 2018. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 21 April 2018. The total estimated dividend to be paid is CU3.905 million. The payment of this dividend will not have any tax consequences for the Group.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 1.106(b), (d)

IAS 1.106A

31. Non-controlling interests

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Balance at beginning of year	22,058	18,831
Share of profit for the year	4,392	3,227
Non-controlling interests arising on the acquisition of Subsix Limited (see note 44)	127	–
Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 19.3)	179	–
Non-controlling interest relating to outstanding vested share options held by the employees of Subsix Limited (i)	5	
Balance at end of year	26,761	22,058

(i) As at 31 December 2017, executives and senior employees of Subsix Limited held options over 5,000 ordinary shares of Subsix Limited, of which 2,000 will expire on 12 March 2019 and 3,000 will expire on 17 September 2019. These share options were issued by Subsix Limited before it was acquired by the Group in the current year. All of the outstanding share options had vested by the acquisition date of Subsix Limited. CU5,000 represents the market-based measure of these share options measured in accordance with IFRS 2 at the acquisition date. Further details of the employee share option plan are provided in note 42.2.

IFRS 7.8(f)

32. Borrowings

	31/12/17	31/12/16
	CU'000	CU'000
Unsecured – at amortised cost		
Bank overdrafts	520	314
Bills of exchange (i)	358	916
Loans from:		
– related parties (ii) (see note 43.3)	10,376	29,843
– other entities (iii)	3,701	3,518
– government (iv)	2,798	2,610
Convertible notes (note 33)	4,144	–
Perpetual notes (v)	1,905	–
Others [describe]	–	–
	23,802	37,201
Secured – at amortised cost		
Bank overdrafts	18	64
Bank loans (vi)	10,674	13,483
Loans from other entities (iii)	575	649
Transferred receivables (vii)	923	–
Finance lease liabilities (viii)	14	89
Others [describe]	–	–
	12,204	14,285
	36,006	51,486
Current	22,446	25,600
Non-current	13,560	25,886
	36,006	51,486

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

32.1 Summary of borrowing arrangements

IFRS 7.7

(i) Bills of exchange with a variable interest rate were issued in 2010. The current weighted average effective interest rate on the bills is 6.8% per annum (31 December 2016: 6.8% per annum).

(ii) Amounts repayable to related parties of the Group. Interest of 8.0% – 8.2% per annum is charged on the outstanding loan balances (31 December 2016: 8.0% – 8.2% per annum).

(iii) Fixed rate loans with a finance company with remaining maturity periods not exceeding 3 years (31 December 2016: 4 years). The weighted average effective interest rate on the loans is 8.15% per annum (31 December 2016: 8.10% per annum). The Group hedges a portion of the loans for interest rate risk via an interest rate swap exchanging fixed rate interest for variable rate interest. The outstanding balance is adjusted for fair value movements in the hedged risk, being movements in the inter–bank rate in A Land.

(iv) On 17 December 2016, the Group received an interest–free loan of CU3 million from the government of A Land to finance staff training over a two–year period. The loan is repayable in full at the end of that two–year period. Using prevailing market interest rates for an equivalent loan of 7.2%, the fair value of the loan is estimated at CU2.61 million. The difference of CU390,000 between the gross proceeds and the fair value of the loan is the benefit derived from the interest–free loan and is recognised as deferred revenue (see note 41). Interest expenses CU188,000 were recognised on this loan in 2017 and CU202,000 will be recognised in 2018 (see note 9).

(v) 2,500 perpetual notes with a coupon rate of 6% per annum were issued on 27 August 2017 at CU2.5 million principal value. Issue costs of CU0.595 million were incurred.

(vi) Secured by a mortgage over the Group's freehold land and buildings (see note 15). The weighted average effective interest rate on the bank loans is 8.30% per annum (31 December 2016: 8.32% per annum).

(vii) Secured by a charge over certain of the Group's trade receivables (see note 25.2).

(viii) Secured by the assets leased. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding 5 years (see note 38.2).

32.2 Breach of loan agreement

IFRS 7.18

During the current year, the Group was late in paying interest for the first quarter on one of its loans with a carrying amount of CU5.00 million. The delay arose because of a temporary lack of funds on the date when interest was payable due to a technical problem on settlement. The interest payment outstanding of CU107,500 was repaid in full a week later, including the additional interest and penalty. The lender did not request accelerated repayment of the loan and the terms of the loan were not changed. Management has reviewed the Group's settlement procedures to ensure that such circumstances do not recur.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

32.3 Reconciliation of liabilities arising from financing activities

IAS 7.44A–44E

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non–cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	01/01/17	Financing cash flows (ii)	Non–cash changes					Other changes (iii)	31/12/17
			Equity component of convertible notes	Acquisition of subsidiary (note 44.2)	Disposal of subsidiary (note 45.2)	Fair value adjustments (notes 8, 9, 40.7.2)	New finance leases (note 47)		
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Convertible notes (notes 32, 33)	–	4,950	(834)	–	–	–	–	28	4,144
Perpetual notes (note 32)	–	1,905	–	–	–	–	–	–	1,905
Government loans (note 32)	2,610	–	–	–	–	–	–	188	2,798
Bank loans (note 32)	13,483	(1,842)	–	–	(967)	–	–	–	10,674
Loans from related parties (note 32)	29,843	(16,862)	–	–	(2,605)	–	–	–	10,376
Other borrowings (i)	5,550	1,334	–	–	(770)	(5)	–	–	6,109
Redeemable preference shares (note 34)	–	15,000	–	–	–	(125)	–	–	14,875
Interest rate swaps fair value hedging or economically hedging financing liabilities (note 34)	–	–	–	–	–	56	–	–	56
Contingent consideration (note 34)	–	–	–	75	–	–	–	–	75
	51,486	4,485	(834)	75	(4,342)	(74)	–	216	51,012

(i) Other borrowings consist of all items included in note 32, except for those separately disclosed above.

(ii) The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(iii) Other changes include interest accruals and payments.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 7.7

33. Convertible notes

On 13 September 2017, the Company issued 4.5 million 5.5% CU denominated convertible notes with an aggregate principal amount of CU4.5 million. Each note entitles the holder to convert to ordinary shares at a conversion price of CU1.00.

Conversion may occur at any time between 13 July 2018 and 12 September 2020. If the notes have not been converted, they will be redeemed on 13 September 2020 at CU1 each. Interest of 5.5% per annum will be paid quarterly up until the notes are converted or redeemed.

IAS 32.28

The convertible notes contain two components: liability and equity elements. The equity element is presented in equity under the heading of “option premium on convertible notes”. The effective interest rate of the liability element on initial recognition is 8.2% per annum.

	CU'000
Proceeds of issue	4,950
Liability component at the date of issue	(4,116)
Equity component	834
Liability component at the date of issue	4,116
Interest charged calculated at an effective interest rate of 8.2%	110
Interest paid	(82)
Liability component at 31 December 2017 (included in "borrowings" (note 32))	4,144

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

34. Other financial liabilities

Source		31/12/17	31/12/16
		CU'000	CU'000
	Financial guarantee contracts	24	18
IFRS 7.22(b)	*Derivatives that are designated and effective as hedging instruments carried at fair value*		
	Foreign currency forward contracts	87	–
	Interest rate swaps	5	–
	Currency swaps	–	–
	Others [describe]	–	–
		92	–
IFRS 7.8(e)	*Financial liabilities carried at fair value through profit or loss (FVTPL)*		
	Non-derivative financial liabilities designated as at FVTPL on initial recognition (i)	14,875	–
	Held for trading derivatives not designated in hedge accounting relationships (ii)	51	–
	Held for trading non-derivative financial liabilities	–	–
		14,926	–
	Others (contingent consideration) (iii)	75	–
		15,117	18
	Current	116	18
	Non-current	15,001	–
		15,117	18

IFRS 7.7

(i) 3,000,000 redeemable cumulative preference shares with a coupon rate of 7% per annum were issued on 1 June 2017 at an issue price of CU5 per share. The shares are redeemable on 31 May 2019 at CU5 per share. The shares are unsecured borrowings of the Group and are designated as at FVTPL (see below).

These redeemable cumulative preference shares do not contain any equity component and are classified as financial liabilities in their entirety. In addition, the Group has designated these preference shares as financial liabilities at FVTPL as permitted by IAS 39. The preference shares have fixed interest payments and mature on 31 May 2019.

To reduce the fair value risk of changing interest rates, the Group has entered into a pay-floating receive-fixed interest rate swap. The swap's notional principal is CU15 million and matches the principal of the cumulative redeemable preference shares. The swap matures on 31 May 2019. The designation of preference shares as at FVTPL eliminates the accounting mismatch arising on measuring the liability at amortised cost and measuring the derivative at FVTPL.

Dividends of CU613,000 (2016: nil) were paid on redeemable cumulative preference shares and are included in profit or loss in the "other gains and losses" line item.

(ii) A pay-floating receive-fixed interest rate swap economically hedges fair value interest rate risk of redeemable cumulative preference shares.

(iii) Other financial liabilities include CU75,000 representing the estimated fair value of the contingent consideration relating to the acquisition of Subsix Limited (see note 44.2). There has been no change in the fair value of the contingent consideration since the acquisition date.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

35. Provisions

	31/12/17	31/12/16
	CU'000	CU'000
Employee benefits (i)	1,334	4,388
Other provisions (see below)	4,316	1,038
	5,650	5,426
Current	3,356	3,195
Non-current	2,294	2,231
	5,650	5,426

Other provisions

Source		Rectification work (ii)	Warranties (iii)	Onerous leases (iv)	Total
		CU'000	CU'000	CU'000	CU'000
IAS 37.84(a)	Balance at 1 January 2017	–	295	743	1,038
IAS 37.84(b)	Additional provisions recognised	4,170	338	369	4,877
IAS 37.84(c)	Reductions arising from payments/other sacrifices of future economic benefits	(1,112)	(90)	(310)	(1,512)
IAS 37.84(d)	Reductions resulting from re-measurement or settlement without cost	–	(15)	(100)	(115)
IAS 37.84(e)	Unwinding of discount and effect of changes in the discount rate	–	–	28	28
	Others [describe]	–	–	–	–
IAS 37.84(a)	Balance at 31 December 2017	3,058	528	730	4,316

IFRS 3.B64(j)
IAS 37.85(a),(b)

(i) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees. On the acquisition of Subsix Limited, the Group recognised an additional contingent liability of CU45,000 in respect of employees' compensation claims outstanding against that company, which was settled in February 2018. The decrease in the carrying amount of the provision for the current year results from benefits being paid in the current year.

IAS 37.85(a),(b)

(ii) The provision for rectification work relates to the estimated cost of work agreed to be carried out for the rectification of goods supplied to one of the Group's major customers (see note 13.6). Anticipated expenditure for 2018 is CU1.94 million, and for 2019 is CU1.118 million. These amounts have not been discounted for the purposes of measuring the provision for rectification work, because the effect is not material.

IAS 37.85(a),(b)

(iii) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

IAS 37.85(a),(b)

(iv) The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired terms of the leases range from 3 to 5 years.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

36. Other liabilities

	31/12/17	31/12/16
	CU'000	CU'000
Lease incentives (note 48.1)	270	360
Others [describe]	–	5
	270	365
Current	90	95
Non-current	180	270
	270	365

37. Trade and other payables

Source		31/12/17	31/12/16
		CU'000	CU'000
	Trade payables	15,659	20,422
IFRS 2.51(b)	Cash-settled share-based payments	–	–
	Others [describe]	–	–
		15,659	20,422

IFRS 7.7

The average credit period on purchases of certain goods from B Land is 4 months. No interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

38. Obligations under finance leases

38.1 Leasing arrangements

IAS 17.31(e)
IFRS 7.7

The Group leased certain of its manufacturing equipment under finance leases. The average lease term is 5 years (2016: 5 years). The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2016: 3.75% to 6%) per annum.

38.2 Finance lease liabilities

IAS 17.31(b)

	Minimum lease payments		Present value of minimum lease payments	
	31/12/17	31/12/16	31/12/17	31/12/16
	CU'000	CU'000	CU'000	CU'000
Not later than one year	10	58	9	54
Later than one year and not later than five years	6	44	5	35
Later than five years	–	–	–	–
	16	102	14	89
Less: future finance charges	(2)	(13)	–	–
Present value of minimum lease payments	14	89	14	89

	31/12/17	31/12/16
Included in the consolidated financial statements as:		
– current borrowings (note 32)	9	54
– non-current borrowings (note 32)	5	35
	14	89

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

39. Retirement benefit plans

39.1 Defined contribution plans

The Group operates defined contribution retirement benefit plans for all qualifying employees of its subsidiary in C Land. The assets of the plans are held separately from those of the Group in funds under the control of trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

IAS 19.43 The employees of the Group's subsidiary in B Land are members of a state-managed retirement benefit plan operated by the government of B Land. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

IAS 19.53 The total expense recognised in profit or loss of CU160,000 (2016: CU148,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2017, contributions of CU8,000 (2016: CU8,000) due in respect of the 2017 (2016) reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

39.2 Defined benefit plans

IAS 19.139 The Group sponsors funded defined benefit plans for qualifying employees of its subsidiaries in A Land. The defined benefit plans are administered by a separate Fund that is legally separated from the entity. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

Under the plans, the employees are entitled to post-retirement yearly instalments amounting to 1.75% of final salary for each year of service until the retirement age of 65. The pensionable salary is limited to CU20,000. The pensionable salary is the difference between the current salary of the employee and the state retirement benefit. In addition, the service period is limited to 40 years resulting in a maximum yearly entitlement (life-long annuity) of 70% of final salary.

The defined benefit plans requires contributions from employees. Contributions are in the following two forms; one is based on the number of years of service and the other one is based on a fixed percentage of salary of the employees. Employees can also make discretionary contributions to the plans.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 19.139(b)

The plans in A-land typically expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is re-insured by an external insurance company.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2017 by Mr. F.G. Ho, Fellow of the Institute of Actuaries of A Land. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

IAS 19.144

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	Valuation at	
	31/12/17	31/12/16
Discount rate(s)	5.52%	5.20%
Expected rate(s) of salary increase	5.00%	5.00%
Average longevity at retirement age for current pensioners (years)*		
Males	27.5	27.3
Females	29.8	29.6
Average longevity at retirement age for current employees (future pensioners) (years)*		
Males	29.5	29.3
Females	31.0	30.9
Others [describe]	–	–

* Based on A Land's standard mortality table [with modification to reflect expected changes in mortality/others (please describe)].

Source	International GAAP Holdings Limited
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 19.120, 135

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IAS 19.141	Service cost:		
	Current service cost	819	326
	Past service cost and (gain)/loss from settlements	–	–
	Net interest expense	77	114
	Components of defined benefit costs recognised in profit or loss	896	440
	Remeasurement on the net defined benefit liability:		
	Return on plan assets (excluding amounts included in net interest expense)	(518)	(140)
	Actuarial gains and losses arising from changes in demographic assumptions	(25)	(5)
	Actuarial gains and losses arising from changes in financial assumptions	(220)	(23)
	Actuarial gains and losses arising from experience adjustments	(43)	(23)
	Others [describe]	–	–
	Adjustments for restrictions on the defined benefit asset	–	–
	Components of defined benefit costs recognised in other comprehensive income	(806)	(191)
	Total	90	249

IAS 19.135

[The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. / Of the expense for the year, an amount of CU412,000 (2016: CU402,000) has been included in profit or loss as cost of sales and the remainder has been included in administration expenses.]

The remeasurement of the net defined benefit liability is included in other comprehensive income.

IAS 19.140

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows.

	31/12/17	31/12/16
	CU'000	CU'000
Present value of funded defined benefit obligation	6,156	5,808
Fair value of plan assets	(4,202)	(4,326)
Funded status	1,954	1,482
Restrictions on asset recognised	–	–
Others [describe]	–	–
Net liability arising from defined benefit obligation	1,954	1,482

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 19.141

Movements in the present value of the defined benefit obligation in the current year were as follows.

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Opening defined benefit obligation	5,808	6,204
Current service cost	819	326
Interest cost	302	323
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	(25)	(5)
Actuarial gains and losses arising from changes in financial assumptions	(220)	(23)
Actuarial gains and losses arising from experience adjustments	(43)	(23)
Others [describe]	–	–
Contributions from plan participants	440	412
Past service cost, including losses/(gains) on curtailments	–	–
Liabilities extinguished on settlements	–	–
Liabilities assumed in a business combination	–	–
Exchange differences on foreign plans	31	75
Benefits paid	(956)	(1,481)
Others [describe]	–	–
Closing defined benefit obligation	6,156	5,808

IAS 19.141

Movements in the fair value of the plan assets in the current year were as follows.

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Opening fair value of plan assets	4,326	4,010
Interest income	225	209
Remeasurement gain (loss):		
Return on plan assets (excluding amounts included in net interest expense)	518	140
Others [describe]	–	–
Contributions from the employer	910	870
Contributions from plan participants	450	423
Assets distributed on settlements	–	–
Assets acquired in a business combination	–	–
Exchange differences on foreign plans	(1,271)	155
Benefits paid	(956)	(1,481)
Other [describe]	–	–
Closing fair value of plan assets	4,202	4,326

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 19.142

The fair value of the plan assets at the end of the reporting period for each category, are as follows.

	Fair value of plan assets	
	31/12/17	31/12/16
	CU'000	CU'000
Cash and cash equivalents	–	–
Equity investments categorised by industry type:		
– Consumer industry	–	–
– Manufacturing industry	300	280
– Energy and utilities	–	–
– Financial institutions	310	300
– Health and care	–	–
– ICT and telecom	–	–
– Equity instrument funds	416	406
Subtotal	1,026	986
Debt investments categorised by issuers' credit rating:		
– AAA	1,970	1,830
– AA	–	–
– A	10	20
– BBB and lower	–	–
– not rated	–	–
Subtotal	1,980	1,850
Properties categorised by nature and location:		
– Retail shops in A land	300	200
– Commercial properties in B land	717	912
– Residential properties in C land	96	290
Subtotal	1,113	1,402
Derivatives:		
– Interest rate swaps	57	72
– Forward foreign exchange contracts	26	16
Subtotal	83	88
Others [describe]	–	–
Total	4,202	4,326

Source	International GAAP Holdings Limited
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued
IAS 19.142	The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties and derivatives are not based on quoted market prices in active markets. It is the policy of the fund to use interest rate swaps to hedge its exposure to interest rate risk. This policy has been implemented during the current and prior years. Foreign currency exposures are fully hedged by the use of the forward foreign exchange contracts.
IAS 19.143	The plan assets include ordinary shares of the Company with an aggregate fair value of CU0.38 million (31 December 2016: CU0.252 million) and a property occupied by a subsidiary of the Company with fair value of CU0.62 million (31 December 2016: CU0.62 million).
IAS 19.145(a)	Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.
	• If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by CU744,000 (increase by CU740,000) (2016: decrease by CU734,000 (increase by CU730,000)).
	• If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by CU120,000 (decrease by CU122,000) (2016: increase by CU102,000 (decrease by CU105,000)).
IAS 19.145(b)	• If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by CU150,000 (decrease by CU156,000) (2016: increase by CU143,000 (decrease by CU149,000)).
IAS 19.145(b)	The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.
IAS 19.145(c)	Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.
	There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.
IAS 19.146	Each year an Asset-Liability-Matching study is performed in which the consequences of the strategic investment policies are analysed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are:
	• Asset mix based on 25% equity instruments, 50% debt instruments and 25% investment property;
	• Interest rate sensitivity caused by the duration of the defined benefit obligation should be reduced by 30% by the use of debt instruments in combination with interest rate swaps;
	• Maintaining an equity buffer that gives a 97.5% assurance that assets are sufficient within the next 12 months.
	There has been no change in the process used by the Group to manage its risks from prior periods.
IAS 19.147	The Group's subsidiaries fund the cost of the entitlements expected to be earned on a yearly basis. Employees pay a fixed 5% percentage of pensionable salary. The residual contribution (including back service payments) is paid by the entities of the Group. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) are paid immediately to the Fund. Apart from paying the costs of the entitlements, the Group's subsidiaries are not liable to pay additional contributions in case the Fund does not hold sufficient assets. In that case, the Fund would take other measures to restore its solvency, such as a reduction of the entitlements of the plan members.
	The average duration of the benefit obligation at 31 December 2017 is 16.5 years (2016: 15.6 years). This number can be analysed as follows:
	• active members: 19.4 years (2016: 18.4 years);
	• deferred members: 22.6 years (2016: 21.5 years); and
	• retired members: 9.3 years (2016: 8.5 years).
	The Group expects to make a contribution of CU0.95 million (2016: CU0.91 million) to the defined benefit plans during the next financial year.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

40. Financial instruments

Commentary:

The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, by the significance of judgements and estimates made to the results and financial position, and the information provided to key management personnel.

IAS 1.134,135

40.1 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2016.

The capital structure of the Group consists of net debt (borrowings as detailed in notes 32, 33 and 34 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 28 to 31).

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 20% - 25% determined as the proportion of net debt to equity. The gearing ratio at 31 December 2017 of 15.21% (see below) was below the target range, and has returned to a more typical level of 23% after the end of the reporting period.

40.1.1 Gearing ratio

The gearing ratio at end of the reporting period was as follows.

	31/12/17	31/12/16
	CU'000	CU'000
Debt (i)	50,881	51,486
Cash and bank balances (including cash and bank balances in a disposal group held for sale)	(24,271)	(20,278)
Net debt	26,610	31,208
Equity (ii)	174,976	168,334
Net debt to equity ratio	15.21%	18.54%

(i) Debt is defined as long-and short-term borrowings (excluding derivatives and financial guarantee contracts), as described in notes 32, 33 and 34.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

Source	International GAAP Holdings Limited		
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued		
	40.2 Categories of financial instruments		
		31/12/17	31/12/16
		CU'000	CU'000
	Financial assets		
	Cash and bank balances (including cash and bank balances in a disposal group held for sale)	24,271	20,278
	Fair value through profit or loss (FVTPL)		
IFRS 7.8(a)	Held for trading	1,539	1,639
IFRS 7.8(a)	Designated as at FVTPL	–	–
	Derivative instruments in designated hedge accounting relationships	528	397
IFRS 7.8(b)	Held-to-maturity investments	5,905	4,015
IFRS 7.8(c)	Loans and receivables (including trade receivables balance in a disposal group held for sale)	24,254	17,737
IFRS 7.8(d)	Available-for-sale financial assets	7,919	7,465
	Financial liabilities		
	Fair value through profit or loss (FVTPL)		
IFRS 7.8(e)	Held for trading	51	–
IFRS 7.8(e)	Designated as at FVTPL	14,875	–
	Derivative instruments in designated hedge accounting relationships	92	–
IFRS 7.8(f)	Amortised cost (including trade payables balance in a disposal group held for sale)	54,919	71,908
	Financial guarantee contracts	24	18
	Contingent consideration for a business combination	75	–

Source	40.2.1 Loans and receivables designated as at FVTPL		
	Carrying amount of loans and receivables designated as at FVTPL	–	–
IFRS 7.9(c)	Cumulative changes in fair value attributable to changes in credit risk	–	–
IFRS 7.9(c)	Changes in fair value attributable to changes in credit risk recognised during the year	–	–

IFRS 7.9(a) — At the end of the reporting period, there are no significant concentrations of credit risk for loans and receivables designated at FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

IFRS 7.9(b), (d) — 40.2.2 Credit derivatives over loans and receivables designated as at FVTPL

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Opening fair value	–	–
Additions during the year	–	–
Realised during the year	–	–
Change in fair value	–	–
Closing fair value	–	–

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

40.2.3 Financial liabilities designated as at FVTPL

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IFRS 7.10(a)	Changes in fair value attributable to changes in credit risk recognised during the year (i)	(20)	–

Source		31/12/17	31/12/16
		CU'000	CU'000
IFRS 7.10(a)	Cumulative changes in fair value attributable to changes in credit risk (i)	(20)	–
IFRS 7.10(b)	Difference between carrying amount and contractual amount at maturity:		
	– cumulative preference shares at fair value (note 34)	14,875	–
	– amount payable at maturity	(15,000)	–
		(125)	–

IFRS 7.11

(i) The change in fair value attributable to change in credit risk is calculated as the difference between total change in fair value of cumulative preference shares (CU125,000) and the change in fair value of cumulative redeemable preference shares due to change in market risk factors alone (CU105,000). The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding credit risk margin constant. The fair value of cumulative redeemable preference shares was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowings of similar maturity to estimate credit risk margin.

IFRS 7.31

40.3 Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

40.4 Market risk

IFRS 7.33

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see note 40.6 below) and interest rates (see note 40.7 below). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of electronic equipment to B Land and C Land;
- interest rate swaps to mitigate the risk of rising interest rates; and
- forward foreign exchange contracts to hedge the exchange rate risk arising on translation of the Group's investment in a foreign operation, Subfour Limited, which has B Currency as its functional currency.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Market risk exposures are measured using value-at-risk (VaR) supplemented by sensitivity analysis.

IFRS 7.33(c) There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

IFRS 7.41

40.5 Value at Risk (VaR) analysis

The VaR measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

Historical VaR (99%, one-day)	Average		Minimum		Maximum		Year ended	
by risk type	2017	2016	2017	2016	2017	2016	31/12/17	31/12/16
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Foreign exchange	980	1,340	546	943	1,200	1,600	980	1,350
Interest rate	115	60	85	45	150	95	105	55
Diversification	(45)	(40)	–	–	–	–	(55)	(50)
Total VaR exposure	1,050	1,360					1,030	1,355

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in note 40.6 below and for interest rate risk in note 40.7 below.

40.6 Foreign currency risk management

IFRS 7.33, 34 The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Liabilities		Assets	
	31/12/17	31/12/16	31/12/17	31/12/16
	CU'000	CU'000	CU'000	CU'000
Currency of B Land	6,297	7,469	1,574	1,671
Currency of C Land	186	135	–	–
Others	–	–	–	–

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

40.6.1 Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of B Land and the currency of C Land.

IFRS 7. 34(a), 40(b)

The following table details the Group's sensitivity to a 10% increase and decrease in the CU against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the CU strengthens 10% against the relevant currency. For a 10% weakening of the CU against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

Source		Currency B impact			Currency C impact		
		2017	2016		2017	2016	
		CU'000	CU'000		CU'000	CU'000	
IFRS 7.40(a)	Profit or loss	472	579	(i)	19	14	(iii)
IFRS 7.40(a)	Equity	96	122	(ii)	17	19	(iv)

(i) This is mainly attributable to the exposure outstanding on Currency B receivables and payables in the Group at the end of the reporting period.

(ii) This is as a result of the changes in fair value of derivative instruments designated as hedging instruments in cash flow hedges and net investment hedges.

(iii) This is mainly attributable to the exposure to outstanding Currency C payables at the end of the reporting period.

(iv) This is mainly as a result of the changes in fair value of derivative instruments designated as hedging instruments in cash flow hedges.

IFRS 7.33(c)

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the disposal of Currency B investments and the reduction in Currency B sales and purchases in the last quarter of the financial year which has resulted in lower Currency B denominated trade receivables and trade payables.

IFRS 7.42

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year. Currency B denominated sales are seasonal, with lower sales volumes in the last quarter of the financial year, resulting in a reduction in Currency B receivables at the end of the reporting period.

In addition, the change in equity due to a 10% change in the CU against all exchange rates for the translation of new investment hedging instruments would be a decrease of CU13,000 (2016: CU9,000). However, there would be no net effect on equity because there would be an offset in the currency translation of the foreign operation.

40.6.2 Forward foreign exchange contracts

IFRS 7.22, 33, 34

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 70% to 80% of the exposure generated. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 6 months within 40% to 50% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

In the current year, the Group has designated certain forward contracts as a hedge of its net investment in Subfour Limited, which has B Currency as its functional currency. The Group's policy has been reviewed and, due to the increased volatility in B Currency, it was decided to hedge up to 50% of the net assets of the Subfour Limited for forward foreign currency risk arising on translation of the foreign operation. The Group utilises a rollover hedging strategy, using contracts with terms of up to 6 months. Upon the maturity of a forward contract, the Group enters into a new contract designated as a separate hedging relationship.

The following table details the forward foreign currency (FC) contracts outstanding at the end of the reporting period:

Outstanding contracts	Average exchange rate		Foreign currency		Notional value		Fair value assets (liabilities)	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
			FC'000	FC'000	CU'000	CU'000	CU'000	CU'000
Cash flow hedges								
Buy Currency B								
Less than 3 months	0.770	0.768	2,493	2,010	3,238	2,617	152	110
3 to 6 months	0.768	0.750	1,974	1,958	2,570	2,611	92	34
Sell Currency B								
Less than 3 months	0.780	0.769	982	1,028	1,259	1,337	(70)	26
Buy Currency C								
Less than 3 months	86.29	85.53	12,850	20,000	149	234	(5)	50
Net investment hedge								
Sell Currency B								
3 to 6 months	0.763	–	1,000	–	1,297	–	(12)	–
							157	220

Commentary:

The table above provides an example of summary quantitative data about exposure to foreign exchange risks at the end of the reporting period that an entity may provide internally to key management personnel.

The Group has entered into contracts to supply electronic equipment to customers in B Land. The Group has entered into forward foreign exchange contracts (for terms not exceeding 3 months) to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges.

IFRS 7.23(a) At 31 December 2017, the aggregate amount of losses under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on these anticipated future transactions is CU70,000 (2016: gains of CU26,000). It is anticipated that the sales will take place during the first 3 months of the next financial year, at which time the amount deferred in equity will be reclassified to profit or loss.

The Group has entered into contracts to purchase raw materials from suppliers in B Land and C Land. The Group has entered into forward foreign exchange contracts (for terms not exceeding 6 months) to hedge the exchange rate risk arising from these anticipated future purchases, which are designated into cash flow hedges.

Source	International GAAP Holdings Limited
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued
IFRS 7.23(a)	At 31 December 2017, the aggregate amount of gains under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to these anticipated future purchase transactions is CU239,000 (2016: unrealised gains of CU194,000). It is anticipated that the purchases will take place during the first 6 months of the next financial year at which time the amount deferred in equity will be included in the carrying amount of the raw materials. It is anticipated that the raw materials will be converted into inventory and sold within 12 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.
IFRS 7.23(b)	At the start of the third quarter of 2017, the Group reduced its forecasts on sales of electronic equipment to B Land due to increased local competition and higher shipping costs. The Group had previously hedged CU1.079 million of future sales of which CU97,000 are no longer expected to occur, and CU982,000 remain highly probable. Accordingly, the Group has reclassified CU3,000 of gains on foreign currency forward contracts relating to forecast transactions that are no longer expected to occur from the cash flow hedging reserve to profit or loss.
IFRS 7.24(c)	At 31 December 2017, no ineffectiveness has been recognised in profit or loss arising from hedging the net investment in Subfour Limited.
IFRS 7.33, 34	***40.7 Interest rate risk management***
	The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.
	The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.
	40.7.1 Interest rate sensitivity analysis
IFRS 7.40(b)	The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.
IFRS 7.40(a)	If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's: • profit for the year ended 31 December 2017 would decrease/increase by CU43,000 (2016: decrease/increase by CU93,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and • other comprehensive income for the year ended 31 December 2017 would decrease/increase by CU19,000 (2016: decrease/increase by CU12,000), mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.
IFRS 7.33(c)	The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps to swap floating rate debt to fixed rate debt.
	40.7.2 Interest rate swap contracts
IFRS 7.22, 33, 34	Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 7.34(a) The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Cash flow hedges

Outstanding receive floating pay fixed contracts	Average contracted fixed interest rate		Notional principal value		Fair value assets (liabilities)	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
	%	%	CU'000	CU'000	CU'000	CU'000
Less than 1 year	7.45	6.75	1,000	4,000	72	37
1 to 2 years	7.15	7.05	2,000	1,620	55	47
2 to 5 years	6.75	6.50	3,000	1,359	130	93
5 years +	7.05	–	1,000	–	27	–
			7,000	6,979	284	177

Commentary:

The table above provides an example of summary quantitative data about exposure to interest rate risks at the end of the reporting period that an entity may provide internally to key management personnel.

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the local interbank rate of A Land. The Group will settle the difference between the fixed and floating interest rate on a net basis.

IFRS 7.22, 23(a) All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

IFRS 7.34(a)

Fair value hedges

Outstanding receive fixed pay floating contracts	Average contracted fixed interest rate		Notional principal amount		Fair value assets (liabilities)	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
	%	%	CU'000	CU'000	CU'000	CU'000
Less than 1 year	8.15	–	3,701	–	(5)	–
[describe]	–	–	–	–	–	–
			3,701	–	(5)	–
Held for trading interest rate swaps 1 to 2 years	7.5	–	15,000	–	(51)	–
[describe]	–	–	–	–	–	–
			15,000	–	(51)	–

Commentary:

The table above provides an example of summary quantitative data about exposure to interest rate risks at the end of the reporting period that an entity may provide internally to key management personnel.

Source	International GAAP Holdings Limited
	Notes to the consolidated financial statements for the year ended 31 December 2017 – continued
IFRS 7.24(a)	Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. During the year, the hedge was 100% effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the loan was adjusted by CU5,000 which was included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.
	40.8 Other price risks
	The Group is exposed to equity price risks arising from equity investments. Certain of the Group's equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The Group also holds other equity investments for trading purposes.
	40.8.1 Equity price sensitivity analysis
IFRS 7.40(b)	The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.
IFRS 7.40(a)	If equity prices had been 5% higher/lower: • profit for the year ended 31 December 2017 would increase/decrease by CU57,000 (2016: increase/decrease by CU53,000) as a result of the changes in fair value of held-for-trading equity investments; and • other comprehensive income for the year ended 31 December 2017 would increase/decrease by CU286,000 (2016: increase/decrease by CU265,000) as a result of the changes in fair value of available-for-sale shares.
IFRS 7.40(c)	The Group's sensitivity to equity prices has not changed significantly from the prior year.
IFRS 7.33, 34,B8	***40.9 Credit risk management***
	Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.
	Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.
	Apart from Company A, the largest customer of the Group (see below and refer to notes 6.7 and 25.1), the Group does not have significant credit risk exposure to any single counterparty. Concentration of credit risk related to Company A did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.
	The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.
IFRS 7.B10(c)	In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on (see note 40.10.1). As at 31 December 2017, an amount of CU24,000 (31 December 2016: CU18,000) has been recognised in the consolidated financial position as financial liabilities (see note 34).
	40.9.1 Collateral held as security and other credit enhancements
IFRS 7.36(b)	The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with the finance lease receivables is mitigated because the finance lease receivables are secured over the leased storage equipment. The carrying amount of the finance lease receivables amounts to CU1.028 million (31 December 2016: CU0.905 million) and the fair value of the leased assets is estimated to be approximately CU1.00 million (31 December 2016: CU0.9 million). The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

40.10 Liquidity risk management

IFRS 7.33, 39(c)

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 40.10.2 below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

40.10.1 Liquidity and interest risk tables

IFRS 7.34, 35, 39(a)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Commentary:

The tables below include the weighted average effective interest rate and the carrying amount of the respective financial liabilities as reflected in the consolidated statement of financial position as an example of summary quantitative data about exposure to interest rates at the end of the reporting period that an entity may provide internally to key management personnel.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
	%	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2017								
Non-interest bearing	–	3,247	9,938	6,195	–	–	19,380	19,380
Finance lease liability	4.50	1	2	7	6	–	16	14
Variable interest rate instruments	8.18	896	221	6,001	5,780	–	12,899	11,570
Fixed interest rate instruments	7.56	98	333	1,145	41,595	2,500	45,671	35,576
Financial guarantee contracts	–	2,000	–	–	–	–	2,000	24
		6,242	10,494	13,348	47,381	2,500	79,966	66,564
31 December 2016								
Non-interest bearing	–	1,768	16,976	2,476	2,610	–	23,830	23,830
Finance lease liability	5.50	5	10	43	44	–	102	89
Variable interest rate instruments	8.08	1,294	362	1,086	19,576	–	22,318	18,698
Fixed interest rate instruments	8.03	227	454	2,044	44,572	–	47,297	34,010
Financial guarantee contracts	–	1,600	–	–	–	–	1,600	18
		4,894	17,802	5,649	66,802	–	95,147	76,645

IFRS7.B10(c)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

IFRS 7.34, 35

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2017							
Non-interest bearing	–	11,216	7,653	–	–	–	18,869
Variable interest rate instruments	5.75	27,629	4,367	3,944	1,346	–	37,286
Fixed interest rate instruments	7.38	–	–	–	3,091	–	3,091
		38,845	12,020	3,944	4,437	–	59,246
31 December 2016							
Non-interest bearing	–	8,493	5,251	–	–	–	13,744
Variable interest rate instruments	4.83	21,918	3,125	5,204	353	–	30,600
Fixed interest rate instruments	7.00	–	–	–	2,600	–	2,600
		30,411	8,376	5,204	2,953	–	46,944

IFRS 7.B10A(b) — The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

IFRS 7.39(c) — The Group has access to financing facilities as described in note 40.10.2 below, of which CU9.268 million were unused at the end of the reporting period (2016: CU12.617million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

IFRS 7.39(b) — The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2017					
Net settled:					
– interest rate swaps	11	50	205	302	121
– foreign exchange forward contracts	(5)	(21)	13	–	–
Gross settled:					
– foreign exchange forward contracts	12	35	–	–	–
– currency swaps	–	–	–	–	–
	18	64	218	302	121
31 December 2016					
Net settled:					
– interest rate swaps	7	18	22	160	82
– foreign exchange forward contracts	10	15	9	–	–
Gross settled:					
– foreign exchange forward contracts	65	132	21	–	–
– currency swaps	–	–	–	–	–
	82	165	52	160	82

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

40.10.2 Financing facilities

Source		31/12/17	31/12/16
		CU'000	CU'000
IAS 7.50(a)	Unsecured bank overdraft facility, reviewed annually and payable at call:		
	– amount used	520	314
	– amount unused	1,540	2,686
		2,060	3,000
	Unsecured bill acceptance facility, reviewed annually:		
	– amount used	358	916
	– amount unused	1,142	1,184
		1,500	2,100
	Secured bank overdraft facility:		
	– amount used	18	64
	– amount unused	982	936
		1,000	1,000
	Secured bank loan facilities with various maturity dates through to 2018 and which may be extended by mutual agreement:		
	– amount used	14,982	17,404
	– amount unused	5,604	7,811
		20,586	25,215

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

40.11 Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

40.11.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

IFRS 13.93(a)
IFRS 13.93(b)
IFRS 13.93(d)
IFRS 13.93(g)
IFRS 13.93(h)(i)
IFRS 3.B64(f)(iii)
IFRS 3.B64(g)
IFRS 3.B67(b)
IFRS 13.IE65(e)

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/17	31/12/16		
1) Foreign currency forward contracts (see notes 22 and 34)	Assets – CU 244,000; and Liabilities – CU87,000	Assets – CU220,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Interest rate swaps (see notes 22 and 34)	Assets – CU284,000; Liabilities (designated for hedging) – CU5,000; and Liabilities (not designated for hedging) – CU51,000	Assets – CU177,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Held-for-trading non-derivative financial assets (see note 22)	Listed equity securities in Z land: • Real estate industry – CU911,000; and • Oil and gas industry – CU628,000.	Listed equity securities in Z land: • Real estate industry – CU911,000; and • Oil and gas industry – CU728,000.	Level 1	Quoted bid prices in an active market.
4) Listed redeemable notes (see note 22)	Listed debt securities in Y Land – Energy industry – CU2,200,000	Listed debt securities in Y Land – Energy industry – CU2,180,000	Level 1	Quoted bid prices in an active market.
5) Redeemable cumulative preference shares (see note 34)	Liabilities – CU14,875,000	–	Level 2	Discounted cash flow at a discount rate that reflects the issuer's current borrowing rate at the end of the reporting period.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/17	31/12/16				
6) Private equity investments (see note 22)	20 per cent equity investment in Rocket Corp Limited engaged in refining and distribution of fuel products in A land – CU5,359,000; and 10 per cent equity investment in E Plus Limited engaged in Shoe manufacturing in A land – CU360,000	20 per cent equity investment in Rocket Corp Limited engaged in refining and distribution of fuel products in A land – CU5,285,000	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries, ranging from 4.9 to 5.5 per cent (2016: 4.8 – 5.4 per cent).	A slight increase in the long-term revenue growth rates used in isolation would result in a significant increase in the fair value. (note 1)
					Long-term pre-tax operating margin taking into account management's experience and knowledge of market conditions of the specific industries, ranging from 5– 12 per cent (2016: 5 – 10 per cent).	A significant increase in the long-term pre-tax operating margin used in isolation would result in a significant increase in the fair value.
					Weighted average cost of capital (WACC), determined using a Capital Asset Pricing Model, ranging from 11.9 to 12.5 per cent (2016: 11.2 to 12.1 per cent).	A slight increase in the WACC used in isolation would result in a significant decrease in the fair value. (note 2)
					Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries, ranging from 5 – 20 per cent (2016: 4 – 19 per cent).	A significant increase in the discount for lack of marketability used in isolation would result in a significant decrease in the fair value.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/17	31/12/16				
7) Contingent consideration in a business combination (see note 34)	Liabilities – CU75,000	–	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Discount rate of 18 per cent, determined using a Capital Asset Pricing Model.	A slight increase in the discount rate used in isolation would result in a significant decrease in the fair value. (note 2)
					Probability-adjusted revenues and profits, with a range from CU100,000 to CU150,000 and a range from CU 60,000 to 90,000 respectively.	A slight increase in the probability adjusted revenues and profits used in isolation would result in a significant increase in the fair value. (note 3)

IFRS 13.93(h)(ii)

Note 1: If the long-term revenue growth rates used were 10% higher/lower while all the other variables were held constant, the carrying amount of the shares would increase/decrease by CU7,000 (31 December 2016: increase/decrease by CU8,000).

Note 2: A 5% increase/decrease in the WACC or discount rate used while holding all other variables constant would decrease/increase the carrying amount of the private equity investments and the contingent consideration by CU10,000 and CU3,524 respectively (31 December 2016: CU11,000 and CU3,754 respectively).

Note 3: A 5% increase/decrease in the probability-adjusted revenues and profits while holding all other variables constant would increase/decrease the carrying amount of the contingent consideration by CU5,210 (31 December 2016: CU6,000).

IFRS 13.93(c)

There were no transfers between Level 1 and 2 in the period.

IFRS 13.93(h)(ii)

Commentary:

*For financial assets and financial liabilities that are categorised within the Level 3 fair value hierarchy, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would **significantly** change the fair value determined, an entity should state that fact and disclose the effect of those changes. The entity should also disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated.*

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 7.25, 29(a)
IFRS 13.97

40.11.2 Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31/12/17		31/12/16	
	Carrying amount	Fair value	Carrying amount	Fair value
	CU'000	CU'000	CU'000	CU'000
Financial assets				
Loans and receivables:	**22,506**	**22,339**	**16,832**	**16,713**
– loans to related parties	3,637	3,608	3,088	3,032
– trade and other receivables	18,869	18,731	13,744	13,681
Held-to-maturity investments:	**5,905**	**5,922**	**4,015**	**4,016**
– bills of exchange	5,405	5,420	4,015	4,016
– debentures	500	502	–	–
Financial lease receivables	**1,028**	**1,102**	**905**	**898**
Financial liabilities				
Financial liabilities held at amortised cost:	**50,190**	**50,242**	**71,441**	**71,115**
– bills of exchange	358	350	916	920
– convertible notes	4,144	4,120	–	–
– perpetual notes	1,905	2,500	–	–
– bank loans	10,674	10,685	13,483	13,500
– loans from related parties	10,376	10,388	29,843	29,900
– loans from other entities	4,276	3,980	4,167	4,050
– interest-free loan from the government	2,798	2,711	2,610	2,546
– trade and other payables	15,659	15,508	20,422	20,199
Financial lease payables	**14**	**12**	**89**	**87**

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 13.97

IFRS 13.93(b)

	Fair value hierarchy as at 31/12/17			
	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Financial assets				
Loans and receivables:				
– loans to related parties	–	–	3,608	3,608
– trade and other receivables	–	18,731	–	18,731
Held-to-maturity investments:				
– bills of exchange	5,420	–	–	5,420
– debentures	502	–	–	502
Financial lease receivables	–	1,102	–	1,102
Total	5,922	19,833	3,608	29,363
Financial liabilities				
Financial liabilities held at amortised cost:				
– bills of exchange	350	–	–	350
– convertible notes	–	4,120	–	4,120
– perpetual notes	2,500	–	–	2,500
– bank loans	–	–	10,685	10,685
– loans from related parties	–	–	10,388	10,388
– loans from other entities	–	–	3,980	3,980
– interest-free loan from the government	–	2,711	–	2,711
– trade and other payables	–	15,508	–	15,508
Financial lease payables	–	12	–	12
Total	2,850	22,351	25,053	50,254

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

	Fair value hierarchy as at 31/12/16			
	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Financial assets				
Loans and receivables:				
– loans to related parties	–	–	3,032	3,032
– trade and other receivables	–	13,681	–	13,681
Held-to-maturity investments:				
– bills of exchange	4,016	–	–	4,016
– debentures	–	–	–	–
Financial lease receivables	–	898	–	898
Total	4,016	14,579	3,032	21,627
Financial liabilities				
Financial liabilities held at amortised cost:				
– bills of exchange	920	–	–	920
– convertible notes	–	–	–	–
– perpetual notes	–	–	–	–
– bank loans	–	–	13,500	13,500
– loans from related parties	–	–	29,900	29,900
– loans from other entities	–	–	4,050	4,050
– interest-free loan from the government	–	2,546	–	2,546
– trade and other payables	–	20,199	–	20,199
Financial lease payables	–	87	–	87
Total	920	22,832	47,450	71,202

Commentary:

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The above categorisations are for illustrative purpose only.

IFRS 13.97
IFRS 13.93(d)

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 13.93(e)

40.11.3 Reconciliation of Level 3 fair value measurements

31 December 2017

	Available-for-sale – unlisted shares	Others [describe]	Total
	CU'000	CU'000	CU'000
Opening balance	5,285	–	5,285
Total gains or losses:			
– in profit or loss	–	–	–
– in other comprehensive income	74	–	74
Reclassification of remaining interest in E Plus Limited from investment in associate to available-for-sale following partial sale of interest (see note 20)	360	–	360
Purchases	–	–	–
Issues	–	–	–
Disposals/settlements	–	–	–
Transfers into level 3	–	–	–
Transfers out of level 3	–	–	–
Closing balance	5,719	–	5,719

31 December 2016

	Available-for-sale – unlisted shares	Others [describe]	Total
	CU'000	CU'000	CU'000
Opening balance	5,234	–	5,234
Total gains or losses:			
– in profit or loss	–	–	–
– in other comprehensive income	51	–	51
Purchases	–	–	–
Issues	–	–	–
Disposals/settlements	–	–	–
Transfers into level 3	–	–	–
Transfers out of level 3	–	–	–
Closing balance	5,285	–	5,285

The only financial liabilities subsequently measured at fair value on Level 3 fair value measurement represent contingent consideration relating to the acquisition of Subsix Limited (see note 44.2). No gain or loss for the year relating to this contingent consideration has been recognised in profit or loss.

IFRS 13.93(f)

Commentary:

For recurring level 3 fair value measurements, an entity should disclose the amount of total unrealised gains or losses for the period included in profit or loss relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 13.93(e)(ii) All gains and losses included in other comprehensive income relate to unlisted shares and redeemable notes held at the end of the reporting period and are reported as changes of 'Investment revaluation reserve' (see note 29.3).

41. Deferred revenue

Source		31/12/17	31/12/16
		CU'000	CU'000
	Arising from customer loyalty programme (i)	184	147
IAS 20.39(b)	Arising from government grant (ii)	140	390
		324	537
	Current	265	372
	Non-current	59	165
		324	537

(i) The deferred revenue arises in respect of the Group's Maxi-Points Scheme recognised in accordance with IFRIC 13 *Customer Loyalty Programmes*.

(ii) The deferred revenue arises as a result of the benefit received from an interest-free government loan received in December 2016 (see note 32). The revenue was offset against training costs incurred in 2017 (CU250,000) and will be offset against training costs to be incurred in 2018 (CU140,000).

IFRS 2.44

42. Share-based payments

42.1 Employee share option plan of the Company

42.1.1 Details of the employee share option plan of the Company

IFRS 2.45(a) The Company has a share option scheme for executives and senior employees of the Company and its subsidiaries. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees with more than five years' service with the Group may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance-based formula approved by shareholders at the previous annual general meeting and is subject to approval by the remuneration committee. The formula rewards executives and senior employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial and customer service measures:

- improvement in share price
- improvement in net profit
- improvement in return to shareholders
- reduction in warranty claims
- results of client satisfaction surveys
- reduction in rate of staff turnover

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

The following share-based payment arrangements were in existence during the current and prior years:

Options series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
				CU	CU
(1) Granted on 31 March 2016	140,000	31/03/2016	30/03/2017	1.00	1.15
(2) Granted on 30 September 2016	150,000	30/09/2016	29/09/2017	1.00	1.18
(3) Granted on 31 March 2017	160,000	31/03/2017	30/03/2018	1.00	0.98
(4) Granted on 29 September 2017	60,000	29/09/2017	28/09/2018	2.40	0.82

All options vested on their date of grant and expire within twelve months of their issue, or one month after the resignation of the executive or senior employee, whichever is the earlier.

42.1.2 Fair value of share options granted in the year

IFRS 2.46, 47(a)

The weighted average fair value of the share options granted during the financial year is CU0.94 (2016: CU1.17). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is two and a half times the exercise price.

Inputs into the model				Option series
	Series 1	Series 2	Series 3	Series 4
Grant date share price	1.32	1.37	1.29	2.53
Exercise price	1.00	1.00	1.00	2.40
Expected volatility	15.20%	15.40%	13.10%	13.50%
Option life	1 year	1 year	1 year	1 year
Dividend yield	13.27%	13.12%	13.00%	13.81%
Risk-free interest rate	5.13%	5.14%	5.50%	5.45%
Others [describe]	–	–	–	–

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

42.1.3 Movements in shares options during the year

IFRS 2.45(b)

The following reconciles the share options outstanding at the beginning and end of the year:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CU		CU
Balance at beginning of year	290,000	1.00	–	–
Granted during the year	220,000	1.38	290,000	1.00
Forfeited during the year	–	–	–	–
Exercised during the year	(314,000)	1.00	–	–
Expired during the year	–	–	–	–
Balance at end of year	196,000	1.43	290,000	1.00

All outstanding options are exercisable at the end of the respective reporting period.

42.1.4 Share options exercised during the year

IFRS 2.45(c)

The following share options were exercised during year:

Options series	Number exercised	Exercise date	Share price at exercise date
			CU
(1) Granted on 31 March 2016	30,000	05/01/2017	2.50
(1) Granted on 31 March 2016	45,000	31/01/2017	2.25
(1) Granted on 31 March 2016	65,000	15/03/2017	2.75
(2) Granted on 30 September 2016	65,000	03/07/2017	2.95
(2) Granted on 30 September 2016	85,000	28/08/2017	3.15
(3) Granted on 31 March 2017	24,000	20/12/2017	3.50
	314,000		

42.1.5 Share options outstanding at the end of the year

IFRS 2.45(d)

The share options outstanding at the end of the year had a weighted average exercise price of CU1.43 (2016: CU1.00), and a weighted average remaining contractual life of 103 days (2016: 184 days).

42.2 Employee share option plan of a subsidiary acquired in the current year

IFRS 2.45(a)

Subsix Limited has a share option scheme for its executives and senior employees. The outstanding share options were not replaced and were still in existence at the date of acquisition of Subsix Limited.

Each employee share option of Subsix Limited converts into one ordinary share of Subsix Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. All outstanding share options granted by Subsix Limited had been vested by the date when the Group acquired Subsix Limited.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

The following share-based payment arrangements were in existence during the current year:

Options series	Number	Grant date	Expiry date	Exercise price	Market-based measure at the acquisition date of Subsix Limited
				CU	CU
(1) Granted on 13 March 2016	2,000	13/03/2016	12/03/2017	0.2	1.00
(2) Granted on 18 September 2016	3,000	18/09/2016	17/09/2017	0.2	1.00

All options vested on their date of grant and expire within three years of their issue.

42.2.1 Market-based measure of share options at the acquisition date

IFRS 2.46, 47(a)

All outstanding vested share options were measured in accordance with IFRS 2 at their market-based measure at the acquisition date. The weighted average market-based measure of the share options determined at the acquisition date of Subsix Limited is CU1.00. Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price reaches three and a half times the exercise price.

Inputs into the model

	Option series	
	Series 1	Series 2
Acquisition date share price	1.12	1.12
Exercise price	0.2	0.2
Expected volatility	8.10%	8.50%
Option life	1.7 years	2.2 years
Dividend yield	3.00%	3.81%
Risk-free interest rate	5.50%	5.45%
Others [describe]	–	–

42.2.2 Movements in share options during the year

IFRS 2.45(d)

No share options were granted or exercised after the Group obtained control over Subsix Limited. The share options outstanding at 31 December 2017 had an exercise price of CU0.2 and a weighted average remaining contractual life of 551 days.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

43. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

43.1 Trading transactions

IAS 24.18,19

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Sales of goods		Purchases of goods	
	Year ended 31/12/17	Year ended 31/12/16	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000	CU'000	CU'000
International Group Holdings Limited	693	582	439	427
Subsidiaries of International Group Holdings Limited	1,289	981	897	883
Associates of International Group Holdings Limited	398	291	–	–

IAS 24.18,19

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	31/12/17	31/12/16	31/12/17	31/12/16
	CU'000	CU'000	CU'000	CU'000
International Group Holdings Limited	209	197	231	139
Subsidiaries of International Group Holdings Limited	398	293	149	78
Associates of International Group Holdings Limited	29	142	–	–

IAS 24.23

Sales of goods to related parties were made at the Group's usual list prices, less average discounts of 5%. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

IAS 24.18

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IAS 24.18

43.2 Loans to related parties

	31/12/17	31/12/16
	CU'000	CU'000
Loans to key management personnel	3,637	3,088

The Group has provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest.

IFRS 7.7, 34(c), 36(b), (c)

The loans to key management personnel are unsecured. [To describe any concentration of risks.]

IFRS 7.7

43.3 Loans from related parties

IAS 24.18

	31/12/17	31/12/16
	CU'000	CU'000
Loans from Mr. John Banks (the ultimate controlling party of the Company)	10,376	29,843

The Group has been provided loans at rates comparable to the average commercial rate of interest. The loans from the ultimate controlling party are unsecured.

43.4 Compensation of key management personnel

IAS 24.17

The remuneration of directors and other members of key management personnel during the year was as follows:

	Year ended 31/12/17	Year ended 31/12/16
	CU'000	CU'000
Short-term benefits	1,368	1,027
Post-employment benefits	160	139
Other long-term benefits	115	176
Share-based payments	94	86
Termination benefits	–	–
	1,737	1,428

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43.5 Other related party transactions

IAS 24.18,19

In addition to the above, International Group Holdings Limited performed certain administrative services for the Company, for which a management fee of CU0.18 million (2016: CU0.16 million) was charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

44. Business combinations

IFRS 3.B64(a) to (d)

44.1 Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
			(%)	CU'000
2017				
Subsix Limited	Manufacture of leisure goods	15/07/2017	80	505
Subseven Limited	Manufacture of leisure goods	30/11/2017	100	687
				1,192

Subsix Limited and Subseven Limited were acquired so as to continue the expansion of the Group's activities on leisure goods.

IFRS 3.B66

Commentary:

The disclosures illustrated are also required for business combinations after the end of the reporting period but before the financial statements are authorised for issue unless the initial accounting for the acquisition is incomplete at the time the financial statements are authorised for issue. In such circumstances, the entity is required to describe which disclosures could not be made and the reasons why they could not be made.

IFRS 3.B64(f)

44.2 Consideration transferred

		Subsix Limited	Subseven Limited
		CU'000	CU'000
	Cash	430	247
	Transfer of land and buildings at fair value at date of acquisition	–	400
	Contingent consideration arrangement (i)	75	–
	Plus: effect of settlement of legal claim against Subseven Limited (ii)	–	40
IAS 7.40(a)	Total	505	687

IFRS 3.B64(g)

(i) Under the contingent consideration arrangement, the Group is required to pay the vendors an additional CU300,000 if Subsix Limited's profit before interest and tax (PBIT) in each of the years 2018 and 2019 exceeds CU500,000. Subsix's PBIT for the past three years has been CU350,000 on average and the directors do not consider it probable that this payment will be required. CU75,000 represents the estimated fair value of this obligation at the acquisition date.

IFRS 3.B64(l)

(ii) Prior to the acquisition of Subseven Limited, the Group was pursuing a legal claim against that company in respect of damage to goods in transit to a customer. Although the Group was confident of recovery, this amount had not previously been recognised as an asset. In line with the requirements of IFRS 3, the Group has recognised the effective settlement of this legal claim on the acquisition of Subseven Limited by recognising CU40,000 (being the estimated fair value of the claim) as a gain in profit or loss within the 'other gains and losses' line item. This has resulted in a corresponding increase in the consideration transferred.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

IFRS 3.B64(m)

Acquisition-related costs amounting to CU145,000 (Subsix Limited: CU65,000; Subseven Limited: CU80,000) have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year, within the 'other expenses' line item.

IFRS 3.B64(i)

IAS 7.40(d)

44.3 Assets acquired and liabilities recognised at the date of acquisition

	Subsix Limited	Subseven Limited	Total
	CU'000	CU'000	CU'000
Current assets			
Cash and cash equivalents	200	–	200
Trade and other receivables	87	105	192
Inventories	–	57	57
Non-current assets			
Plant and equipment	143	369	512
Current liabilities			
Trade and other payables	(18)	(35)	(53)
Contingent liabilities (see note 35)	(45)	–	(45)
Non-current liabilities			
Deferred tax liabilities	(17)	–	(17)
	350	496	846

IFRS 3.B67(a)

The initial accounting for the acquisition of Subsix Limited has only been provisionally determined at the end of the reporting period. For tax purposes, the tax values of Subsix's assets are required to be reset based on market values of the assets. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely tax values.

IFRS 3.B64(h)

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of CU87,000 (Subsix Limited) and CU105,000 (Subseven Limited) had gross contractual amounts of CU104,000 and CU120,000 respectively. The best estimate at acquisition date of the contractual cash flows not expected to be collected are CU10,000 (Subsix Limited) and CU8,000 (Subseven Limited).

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

44.4 Non-controlling interests

IFRS 3.B64(o)

The non-controlling interest (20% ownership interest in Subsix Limited) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to CU127,000. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate of 18%;
- assumed long-term sustainable growth rates of 3% to 5%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Subsix Limited.

All outstanding share options granted by Subsix Limited to its employees had vested by the acquisition date. These share options were measured in accordance with IFRS 2 at their market-based measure of CU5,000 and were included in the non-controlling interest in Subsix Limited. Methods and significant assumptions used in determining the market-based measure at the acquisition date are set out in note 42.2.

44.5 Goodwill arising on acquisition

	Subsix Limited	Subseven Limited	Total
	CU'000	CU'000	CU'000
Consideration transferred	505	687	1,192
Plus: non-controlling interests (20% in Subsix Limited)	127	–	127
Plus: non-controlling interests (outstanding share options granted by Subsix Limited)	5	–	5
Less: fair value of identifiable net assets acquired	(350)	(496)	(846)
Goodwill arising on acquisition	287	191	478

IFRS 3.B64(e)

Goodwill arose in the acquisition of Subsix Limited and Subseven Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Subsix Limited and Subseven Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

IFRS 3.B64(k)

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

IAS 36.84

IAS 36.133

Commentary:

If the initial allocation of goodwill acquired in a business combination during the period cannot be completed before the end of the reporting period, the amount of the unallocated goodwill should be disclosed together with the reasons why that amount remains unallocated.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

44.6 Net cash outflow on acquisition of subsidiaries

Source		Year ended 31/12/17 CU'000
IAS 7.40(b)	Consideration paid in cash	677
IAS 7.40(c)	Less: cash and cash equivalent balances acquired	(200)
		477

44.7 Impact of acquisitions on the results of the Group

IFRS 3.B64(q) Included in the profit for the year is CU35,000 attributable to the additional business generated by Subsix Limited, and CU13,000 attributable to Subseven Limited. Revenue for the year includes CU2.3 million in respect of Subsix Limited and CU2.8million in respect of Subseven Limited.

IFRS 3.B64(q) Had these business combinations been effected at 1 January 2017, the revenue of the Group from continuing operations would have been CU145 million, and the profit for the year from continuing operations would have been CU19.7 million. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had Subsix Limited and Subseven Limited been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements;
- calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and
- excluded takeover defence costs of the acquiree as a one-off pre-acquisition transaction.

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

45. Disposal of a subsidiary

On 30 November 2016, the Group disposed of Subzero Limited which carried out its entire toy manufacturing operations.

45.1 Consideration received

Source		Year ended 31/12/17
		CU'000
IAS 7.40(b)	Consideration received in cash and cash equivalents	7,854
	Deferred sales proceeds (see note 25)	960
IAS 7.40(a)	Total consideration received	8,814

IAS 7.40(d)

45.2 Analysis of asset and liabilities over which control was lost

	Year ended 31/12/17
	CU'000
Current assets	
Cash and cash equivalents	288
Trade receivables	1,034
Inventories	2,716
Non-current assets	
Property, plant and equipment	5,662
Goodwill	3,080
Current liabilities	
Payables	(973)
Non-current liabilities	
Borrowings	(4,342)
Deferred tax liabilities	(471)
Net assets disposed of	6,994

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

45.3 Gain on disposal of a subsidiary

Source		Year ended 31/12/17
		CU'000
	Consideration received	8,814
	Net assets disposed of	(6,994)
	Non-controlling interests	–
	Cumulative gain/loss on available-for-sale financial assets reclassified from equity on loss of control of subsidiary	–
	Cumulative exchange gain in respect of the net assets of the subsidiary and related hedging instruments reclassified from equity to profit or loss on loss of control of subsidiary	120
IFRS 12.19	Gain on disposal	1,940

IFRS 12.19(b) The gain on disposal is included in the profit for the year from discontinued operations (see note 11).

45.4 Net cash inflow on disposal of a subsidiary

Source		Year ended 31/12/17
		CU'000
	Consideration received in cash and cash equivalents	7,854
IAS 7.40(c)	Less: cash and cash equivalent balances disposed of	(288)
		7,566

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

46. Cash and cash equivalents

IAS 7.45

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	31/12/17	31/12/16
	CU'000	CU'000
Cash and bank balances	24,096	20,278
Bank overdrafts	(538)	(378)
	23,558	19,900
Cash and bank balances included in a disposal group held for sale	175	–
	23,733	19,900

IAS 7.43

47. Non-cash transactions

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- the Group disposed of property, plant and equipment with an aggregate fair value of CU0.4 million to acquire Subseven Limited as indicated in note 44;
- proceeds in respect of the Group's disposal of part of its interest in E Plus Limited and its entire interest in Subzero Limited (CU1.245 million and CU960,000 respectively – see notes 20 and 45) had not been received in cash at the end of the reporting period;
- share issue proceeds of CU8,000 were received in the form of consulting services, as described in note 28.1; and
- the Group acquired CU40,000 of equipment under a finance lease in 2016 (2017: nil).

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

48. Operating lease arrangements

48.1 The Group as lessee

48.1.1 Leasing arrangements

IAS 17.35(d)
IFRS 7.7

Operating leases relate to leases of land with lease terms of between 5 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

48.1.2 Payments recognised as an expense

Source		Year ended 31/12/17	Year ended 31/12/16
		CU'000	CU'000
IAS 17.35(c)	Minimum lease payments	2,008	2,092
IAS 17.35(c)	Contingent rentals	–	–
IAS 17.35(c)	Sub-lease payments received	–	–
		2,008	2,092

IAS 17.35(a)

48.1.3 Non-cancellable operating lease commitments

	31/12/17	31/12/16
	CU'000	CU'000
Not later than 1 year	1,734	1,908
Later than 1 year and not later than 5 years	3,568	4,336
Later than 5 years	4,618	5,526
	9,920	11,770

48.1.4 Liabilities recognised in respect of non-cancellable operating leases

Source		31/12/17	31/12/16
		CU'000	CU'000
	Onerous lease contracts (note 35)		
	Current	305	408
-	Non-current	425	335
	Lease incentives (note 36)		
	Current	90	90
	Non-current	180	270
		1,000	1,103

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

48.2 The Group as lessor

48.2.1 Leasing arrangements

IAS 17.56(c)

Operating leases relate to the investment property owned by the Group with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Group from its investment property and direct operating expenses arising on the investment property for the year are set out in notes 7 and 13 respectively.

IAS 17.56(a)

48.2.2 Non-cancellable operating lease receivables

	31/12/17	31/12/16
	CU'000	CU'000
Not later than 1 year	18	18
Later than 1 year and not longer than 5 years	54	72
Later than 5 years	–	–
	72	90

49. Commitments for expenditure

Source		31/12/17	31/12/16
		CU'000	CU'000
IAS 16.74(c)	Commitments for the acquisition of property, plant and equipment	4,856	6,010

IAS 40.75(h)

In addition, the Group has entered into a contract for the management and maintenance of its investment property for the next 5 years, which will give rise to an annual expense of CU3,500.

IFRS 12.23(a)
IFRS 12.B18 – B19

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, JV Electronics Limited, is as follows:

	31/12/17	31/12/16
	CU'000	CU'000
Commitments to contribute funds for the acquisition of property, plant and equipment	983	192
Commitments to provide loans	–	–
Commitments to acquire other venturer's ownership interest when a particular event occurs or does not occur in the future (please specify what the particular event is)	–	–
Others (please specify)	–	–

Source	International GAAP Holdings Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 – continued

50. Contingent liabilities and contingent assets

50.1 Contingent liabilities

Source		31/12/17 CU'000	31/12/16 CU'000
IFRS 12.23(b) IAS 37.86(a)	Contingent liabilities incurred by the Group arising from its interests in a joint venture (i)	110	116
IFRS 12.23(b)	Contingent liabilities incurred by the Group arising from its interests in associates (please disclose the details)	–	–
IFRS 12.23(b)	Group's share of associates' contingent liabilities (ii)	150	14
IFRS 12.23(b)	Group's share of joint venture's contingent liabilities (please specify the details)	–	–

IFRS 12.23(b) IAS 37.86(b)

(i) A number of contingent liabilities have arisen as a result of the Group's interest in its joint venture. The amount disclosed represents the aggregate amount of such contingent liabilities for which the Group as an investor is liable. The extent to which an outflow of funds will be required is dependent on the future operations of the joint venture being more or less favourable than currently expected. The Group is not contingently liable for the liabilities of other venturers in its joint venture.

IFRS 12.23(b) IAS 37.86(b)

(ii) The amount disclosed represents the Group's share of contingent liabilities of associates. The extent to which an outflow of funds will be required is dependent on the future operations of the associates being more or less favourable than currently expected.

50.2 Contingent assets

Source		31/12/17 CU'000	31/12/16 CU'000
IAS 37.89	Faulty goods claim (iii)	140	–

(iii) An entity in the Group has a claim outstanding against a supplier for the supply of faulty products. Based on negotiations to date, the directors believe that it is probable that their claim will be successful and that compensation of CU0.14 million will be recovered.

51. Events after the reporting period

IAS 10.21

On 18 January 2018, the premises of Subfive Limited were seriously damaged by fire. Insurance claims are in process, but the cost of refurbishment is currently expected to exceed the amount that will be reimbursed by CU8.3 million.

52. Approval of financial statements

IAS 10.17

The financial statements were approved by the board of directors and authorised for issue on 15 March 2018.

Source	International GAAP Holdings Limited

INDEPENDENT AUDITOR'S REPORT

Commentary:

The audit of the financial statements may be conducted in accordance with International Standards on Auditing (ISA) and/or applicable local auditing standards, making reference to local laws, auditing standards or regulations.

A number of new and revised ISAs are effective for the audits of financial statements for periods ending on or after 15 December 2016. They include the following:

- *ISA 570 (Revised) Going Concern;*
- *ISA 700 (Revised) Forming an Opinion and Reporting on Financial Statements;*
- *ISA 701 Communicating Key Audit Matters in the Independent Auditor's Report (new);*
- *ISA 705 (Revised) Modifications to the Opinion in the Independent Auditor's Report;*
- *ISA 706 (Revised) Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report; and*
- *ISA 720 (Revised) The Auditor's Responsibilities Relating to Other Information*

The most significant changes required by the new and revised ISAs are as follows:

- *The first section of the auditor's report now includes the auditor's opinion with the heading 'Opinion';*
- *The section headed 'Basis for Opinion' now directly follows the Opinion section, unless law or regulation prescribe otherwise;*
- *The report now includes a statement about the auditor's independence and fulfilment of relevant ethical responsibilities, with disclosures of the jurisdiction of origin of those requirements or reference to the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants;*
- *For listed entities, there is a new section to communicate Key Audit Matters in the auditor's report (this can be voluntarily included for unlisted entities);*
- *There is a new section that describes the auditor's responsibilities relating to other information;*
- *Expansion of the description of the auditor's responsibilities, including a specific focus on the responsibilities around consideration of the director's use of the going concern basis of accounting. When a material uncertainty exists, a new section under the heading 'Material Uncertainty related to Going Concern' is now added, rather than an Emphasis of Matter Paragraph; and*
- *For listed entities the name of the engagement partner is to be included in the auditor's report (this can be voluntarily included for unlisted entities).*

A detailed discussion of the new requirements is beyond the scope of this publication.

Due to the increased specificity required by the new and revised ISAs, the wording of the audit report is likely to differ between entities. Moreover, when local auditing standards or regulations apply, the report format will also be affected by those local rules. Accordingly, no illustrative auditor's report has been included in these model financial statements.

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