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IFRS

# Guide to annual financial statements – IFRS 15 supplement

November 2015

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# Contents

# About this supplement

This supplement has been produced by the KPMG International Standards Group (part of KPMG IFRG Limited) to complement our *Guide to annual financial statements – Illustrative disclosures* (the September 2015 guide).

The September 2015 guide helps you to prepare financial statements in accordance with IFRS, illustrating one possible format for financial statements based on a fictitious multinational listed corporation; the corporation is not a first-time adopter of IFRS.

## Revenue from contracts with customers

This supplement focuses on the disclosure requirements in IFRS 15 *Revenue from Contracts with Customers*, which are due to become effective for annual periods beginning on or after 1 January 2018. It provides IFRS 15 disclosure examples and explanations as a supplement to the September 2015 guide; as such, this supplement is not intended to reconcile to that guide.

This supplement does not illustrate all of the disclosures specified in IFRS 15, which will depend on an entity's underlying facts and circumstances; for a full list of the potential disclosures, see our *Guide to annual financial statements – Disclosure checklist* (September 2015).

## Illustrative examples

The example disclosures in this supplement relate to a multinational listed corporation that is early adopting IFRS 15. The corporation provides telecommunication services and builds satellite communication systems. The entity is required to present only one year of comparative information, although some entities may be required to present comparative information for more than one year. In addition, the disclosures are intended to explain the relevant requirements and therefore may be more detailed than is necessary in some places. Individual entities should tailor the disclosures and their order to reflect their specific circumstances, including the materiality of the items concerned.

In addition, IFRS and its interpretations change over time. As this publication is going to print, the IASB is considering amendments to IFRS 15 to clarify certain aspects of the standard. Accordingly, this supplement should not be used as a substitute for referring to the standards and interpretations themselves.

IFRS 15 offers a range of transition options and this publication illustrates only one of them. In this publication, the multinational corporation has applied IFRS 15 **retrospectively**, using the practical expedient allowing non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application – i.e. 1 January 2015. Appendices I and II illustrate disclosures when applying other transition options.

For further details of the transition options, see our publication *Transition to the new revenue standard – What is the best option for your business?*

## Structure of this supplement

This supplement includes the following illustrative disclosures:

- primary financial statements;
- revenue note, including significant accounting policies for revenue recognition;
- contract costs note;
- operating segments note; and
- changes in accounting policies note.

Appendices I and II illustrate disclosures that are made when applying alternative transition options.

## References

References to the standards (primarily IFRS 15) are included in this supplement to identify the source of the related disclosure requirements.

# About IFRS 15

IFRS 15 replaces existing guidance and introduces a new model for revenue recognition that is based on the transfer of control. This may affect the timing and amount of revenue that entities will recognise under IFRS 15 compared to current practice. For some entities, there may be little change. However, arriving at this conclusion will require an understanding of the new model and an analysis of how it is applied to particular transactions. In addition, all entities will be subject to the new disclosure requirements.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

For further details of IFRS 15 and its impacts, see our publication *Issues In-Depth – Revenue from Contracts with Customers*.

## Disclosure requirements

IFRS 15 contains both quantitative and qualitative disclosure requirements for annual and interim periods. The disclosure requirements discussed in this publication relate to annual periods, unless indicated otherwise. Under the new standard, an entity discloses more information about its contracts with customers than is currently required under IAS 18 *Revenue* and IAS 11 *Construction Contracts*, including more disaggregated information about revenue and more information about its performance obligations remaining at the reporting date.

*IFRS 15.110* The objective of the disclosure requirements is to provide sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

*IFRS 15.113, 129* An entity is required to disclose, separately from other sources of revenue, revenue recognised from contracts with customers, and any impairment losses recognised in accordance with IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement* if applicable) on receivables or contract assets arising from contracts with customers. If an entity elects either the practical expedient not to adjust the transaction price for a significant financing component or the practical expedient not to capitalise costs incurred to obtain a contract, then it discloses that fact.

*IFRS 15.114–128* IFRS 15 includes disclosure requirements on the disaggregation of revenue, contract balances, performance obligations, assets recognised to obtain or fulfil a contract, as well as significant judgements in the application of the standard.

Entities will need to assess whether their current systems and processes are capable of capturing, tracking, aggregating and reporting information to meet the disclosure requirements of the new standard. For many entities, this may require significant changes to existing data-gathering processes, IT systems and internal controls.

## Disaggregation of revenue

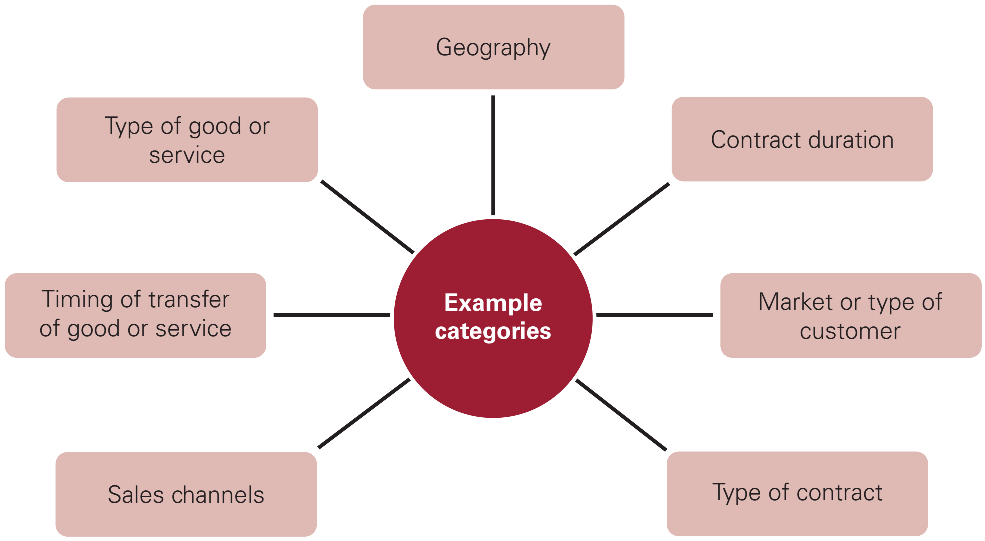
*IFRS 15.114–115, B87–B89*

IFRS 15 requires the disclosure of revenue from contracts with customers disaggregated into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The standard includes examples of such categories.

An entity also discloses the relationship between the disaggregated revenue and the entity's segment disclosures.

In determining these categories, an entity considers how revenue is disaggregated, in:

- disclosures presented outside the financial statements – e.g. earnings releases, annual reports, or investor presentations;
- information reviewed by the chief operating decision maker for evaluating the financial performance of operating segments; and
- other information similar to the above that is used by the entity or users of the entity's financial statements to evaluate performance or make resource allocation decisions.



# Detailed disclosures

This section provides an overview of the disclosure requirements under the new revenue standard and highlights similarities with and differences from the existing disclosure requirements.

| IFRS 15 reference | Disclosure requirements | Revenue recognised | | What's new? |
|---|---|---|---|---|
| | | Over time | At a point in time | |
| *IFRS 15.116–118* | **Contract balances** | | | |
| | • The opening and closing balances related to contracts with customers (if not otherwise separately presented or disclosed) for:<br>– contract assets,<br>– contract liabilities, and<br>– receivables from contracts with customers. | ✓ | ✓ | 🟡 |
| | • The amount of revenue recognised in the current period that was included in the opening contract liability balance. | ✓ | ✓ | 🔴 |
| | • The amount of revenue recognised in the current period from performance obligations satisfied (or partially satisfied) in previous periods – e.g. changes in transaction price. | ✓ | ✓ | 🔴 |
| | • An explanation of how the timing of satisfaction of entity's performance obligations relates to the typical payment terms and how these two factors will affect the contract asset and contract liability balances. | ✓ | ✓ | 🔴 |
| | • An explanation of the significant changes in the balances of contract assets and contract liabilities, including both qualitative and quantitative information – examples could include: | ✓ | ✓ | 🔴 |
| | – changes arising from business combinations; | | | 🟢 |
| | – cumulative catch-up adjustments to revenue (and to the corresponding contract balance) arising from a change in the measure of progress, a change in the estimate of the transaction price, or a contract modification; | | | 🔴 |
| | – impairment of a contract asset; or | | | 🔴 |
| | – changes in the timeframe for a right to consideration becoming unconditional (reclassified to a receivable) or for a performance obligation to be satisfied (the recognition of revenue arising from a contract liability). | | | 🔴 |
| *IFRS 15.119–122* | **Performance obligations** | | | |
| | • When the entity typically satisfies its performance obligations – e.g. on shipment, on delivery, as services are rendered, or on completion of service; | ✓ | ✓ | 🟢 |

| | | | | | |
|---|---|---|---|---|---|
| 🔴 | **New disclosure required under IFRS 15** | 🟢 | **Existing requirement** | 🟡 | **Expanded requirements**<br>Similar disclosure requirements exist under current standards[1]; however, they are more detailed or specific under IFRS 15. |

1. For example, IAS 1 *Presentation of Financial Statements*, IAS 11, IAS 18, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and IFRS 8 *Operating Segments*.

| IFRS 15 reference | Disclosure requirements | Revenue recognised | | What's new? |
|---|---|---|---|---|
| | | Over time | At a point in time | |
| | • Significant payment terms – e.g. whether the contract has a significant financing component, the consideration is variable, and the variable consideration is constrained. | ✓ | ✓ | 🔴 |
| | • The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (if the entity is acting as an agent). | ✓ | ✓ | 🟡 |
| | • Obligations for returns, refunds, and other similar obligations. | ✓ | ✓ | 🟢 |
| | • Types of warranties and related obligations. | ✓ | ✓ | 🟡 |
| | • The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. A quantitative (using time bands) or a qualitative explanation of when it expects that amount to be recognised as revenue is also required. | ✓ | ✓ | 🔴 |
| *IFRS 15.121, 129* | As a practical expedient, an entity is not required to disclose the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations, and when the entity expects to recognise that revenue using quantitative or qualitative disclosures, if:<br>• the contract has an original expected duration of one year or less; or<br>• the entity applies the practical expedient to recognise revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date – e.g. a service contract in which the entity bills a fixed hourly amount.<br>If an entity elects to use the practical expedient, it discloses that fact. | | | |
| *IFRS 15.122* | The entity also discloses whether it is applying the practical expedient and whether any consideration from contracts with customers is not included in the transaction price – e.g. whether the amount is constrained and therefore not included in the disclosure. | ✓ | ✓ | 🔴 |

| | | | | | |
|---|---|---|---|---|---|
| 🔴 | **New disclosure required under IFRS 15** | 🟢 | **Existing requirement** | 🟡 | **Expanded requirements**<br>Similar disclosure requirements exist under current standards; however, they are more detailed or specific under IFRS 15. |

| IFRS 15 reference | Disclosure requirements | Revenue recognised: Over time | Revenue recognised: At a point in time | What's new? |
|---|---|---|---|---|
| *IFRS 15.123–126* | **Significant judgements when applying IFRS 15** | | | |
| | • An entity discloses the judgements and changes in judgements made in applying the new standard that affect the determination of the amount and timing of revenue recognition– specifically, those judgements used to determine the timing of the satisfaction of performance obligations, the transaction price, and amounts allocated to performance obligations. | ✓ | ✓ | Expanded requirements (yellow) |
| | • For performance obligations that are satisfied over time, an entity describes the method used to recognise revenue – for example: | ✓ | | |
| | – a description of the output or input method and how those methods are applied; and | | | Existing requirement (green) |
| | – why such methods are a faithful depiction of the transfer of goods or services. | | | New disclosure required under IFRS 15 (red) |
| | • For performance obligations that are satisfied at a point in time, the new standard requires a disclosure about the significant judgements made to evaluate when the customer obtains control of the promised goods or services. | | ✓ | Expanded requirements (yellow) |
| | An entity discloses information about the methods, inputs, and assumptions used to:<br>• determine the transaction price, which includes:<br>– estimating variable consideration,<br>– assessing whether the variable consideration is constrained,<br>– adjusting the consideration for a significant financing component, and<br>– measuring non-cash consideration;<br>• allocate the transaction price, including estimating the stand-alone selling prices of promised goods or services and allocating discounts and variable consideration; and<br>• measure obligations for returns and refunds, and other similar obligations. | ✓ | ✓ | New disclosure required under IFRS 15 (red) |

| | | |
|---|---|---|
| (red) **New disclosure required under IFRS 15** | (green) **Existing requirement** | (yellow) **Expanded requirements** Similar disclosure requirements exist under current standards; however, they are more detailed or specific under IFRS 15. |

| IFRS 15 reference | Disclosure requirements | Revenue recognised | | What's new? |
|---|---|---|---|---|
| | | Over time | At a point in time | |
| | **Assets recognised from costs to obtain or fulfil a contract with a customer** | | | |
| *IFRS 15.127–128* | An entity discloses the following items that are recognised from the costs incurred to obtain or fulfil a contract with a customer:<br>• the amount of amortisation; and<br>• any impairment losses recognised in the reporting period.<br>These items are separated by their main category – e.g. acquisition costs, pre-contract costs, set-up costs, and other fulfilment costs. | ✓ | ✓ | ● |
| | An entity describes the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer and the method used to determine the amortisation for each reporting period. | ✓ | ✓ | ● |

| | | | | | |
|---|---|---|---|---|---|
| ● | **New disclosure required under IFRS 15** | ● | **Existing requirement** | ● | **Expanded requirements**<br>Similar disclosure requirements exist under current standards; however, they are more detailed or specific under IFRS 15. |

# Statement of financial position

## Explanatory notes

| | | |
|---|---|---|
| *IFRS 15 C5, Insights 4.2A.430* | **a.** | IFRS 15 offers a range of transition options and this publication illustrates only one of them. In this publication, the Group applies IFRS 15 **retrospectively**, using the practical expedient in paragraph C5(c) of IFRS 15 in relation to remaining performance obligations. Appendices I and II provide example disclosures when applying other options. |
| *IAS 1.10(f), 40A* | **b.** | The Group has presented a third statement of financial position as at the beginning of the preceding period, because retrospective changes in accounting policy have a material effect on the information in the statement (see Note 4). |
| *IAS 8.26, Insights 2.8.50.110* | **c.** | The Group has labelled the restated comparative information with the heading 'restated'.<br>In our view, this is necessary to highlight to users the fact that the comparative information is not the same as the information previously presented in the prior year's financial statements. |
| *IFRS 15.B21, BC367* | **d.** | IFRS 15 and other standards do not specify where assets for rights to recover products from customers with regard to sale with a right of return should be presented. The Group has included the assets in 'Inventories' and discloses them separately in the related note (not illustrated). |
| *IFRS 15.105, 108, BC322–326* | **e.** | Any unconditional rights to consideration are presented separately as a receivable. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. |
| *IFRS 15.105, 109, A, BC320* | **f.** | Although this publication uses the term 'Contract assets', an entity may also use other terms. |
| *IFRS 15.55* | **g.** | The Group has presented its refund liabilities as 'Trade and other payables' under IFRS 15. |
| *IFRS 15.105, 109, BC320–321* | **h.** | Although this publication uses the term 'Contract liabilities', an entity may also use other terms. |
| *IFRS 15.B30* | **i.** | If a customer does not have the option to purchase a warranty separately, an entity accounts for the warranty in accordance with IAS 37 unless the promised warranty, or a part of the promised warranty, provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications. |

# Consolidated statement of financial position

| *In thousands of euro* | *Note* | 31 December 2015 | 31 December 2014 Restated*[a, c] | 1 January 2014 Restated*[b] |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | | **XXX** | XXX | XXX |
| Intangible assets and goodwill | | **XXX** | XXX | XXX |
| Equity-accounted investees | | **2,686** | 2,028 | 1,530 |
| Other investments | | **XXX** | XXX | XXX |
| Deferred tax assets | | **934** | 1,040 | 898 |
| Contract costs | *2* | **2,296** | 2,398 | 2,184 |
| **Non-current assets** | | **60,257** | 55,654 | 58,038 |
| Inventories[d] | | **4,927** | 3,793 | 5,587 |
| Contract assets[f] | *1* | **721** | 1,681 | 1,573 |
| Other investments | | **XXX** | XXX | XXX |
| Trade and other receivables[e] | | **19,701** | 17,946 | 17,651 |
| Cash and cash equivalents | | **XXX** | XXX | XXX |
| **Current assets** | | **34,963** | 31,170 | 29,490 |
| **Total assets** | | **95,220** | 86,824 | 87,528 |
| **Equity** | | | | |
| Share capital | | **XXX** | XXX | XXX |
| Reserves | | **XXX** | XXX | XXX |
| Retained earnings | | **23,966** | 16,416 | 10,619 |
| **Equity attributable to owners of the Company** | | **42,963** | 34,113 | 28,316 |
| **Non-controlling interests** | | **1,950** | 1,563 | 1,257 |
| **Total equity** | | **44,913** | 35,676 | 29,573 |
| **Liabilities** | | | | |
| Provisions | | **XXX** | XXX | XXX |
| Deferred tax liabilities | | **2,420** | 2,428 | 2,558 |
| **Non-current liabilities** | | **5,133** | 5,447 | 5,018 |
| Current tax liabilities | | **XXX** | XXX | XXX |
| Loans and borrowings | | **XXX** | XXX | XXX |
| Trade and other payables[g] | | **28,866** | 26,009 | 25,669 |
| Contract liabilities[h] | *1* | **5,567** | 5,202 | 5,140 |
| Employee benefits | | **XXX** | XXX | XXX |
| Provisions[i] | | **609** | 499 | 426 |
| **Current liabilities** | | **45,174** | 45,701 | 52,937 |
| **Total liabilities** | | **50,307** | 51,148 | 57,955 |
| **Total equity and liabilities** | | **95,220** | 86,824 | 87,528 |

* See Note 4

*The notes on pages XX to XX are an integral part of these consolidated financial statements.*

# Statement of profit or loss and other comprehensive income

## Explanatory notes

| | | |
|---|---|---|
| *IAS 1.81B* | **a.** | For illustrative purposes, this publication provides only an example of a consolidated statement of profit or loss and other comprehensive income, without presenting:<br>• the allocation of profit or loss and total comprehensive income to non-controlling interests and owners of the parent; and<br>• basic and diluted earnings per share. |
| *IFRS 15.65, BC246* | **b.** | The effect of financing (interest income or interest expense) is presented separately from revenue from contracts with customers in the statement of comprehensive income and included in 'Finance income' and 'Finance costs', respectively. |

# Consolidated statement of profit or loss and other comprehensive income[a]

For the year ended 31 December

| *In thousands of euro* | *Note* | 2015 | 2014 Restated* |
|---|---|---|---|
| **Profit** | | | |
| Revenue | *1* | **116,579** | 118,603 |
| Cost of sales | | **(69,571)** | (78,153) |
| Gross profit | | **47,008** | 40,450 |
| Other income | | **XXX** | XXX |
| Selling and distribution expenses | | **(15,562)** | (15,865) |
| Administrative expenses | | **XXX** | XXX |
| Other expenses | | **XXX** | XXX |
| **Operating profit** | | **10,334** | 9,624 |
| Finance income[b] | | **2,331** | 1,235 |
| Finance costs[b] | | **(1,977)** | (125) |
| **Net finance income/(costs)** | | **354** | (1,110) |
| Share of profit of equity-accounted investees, net of tax | | **641** | 531 |
| **Profit before tax** | | **11,329** | 9,045 |
| Income tax expense | | **(3,392)** | (2,942) |
| **Profit** | | **7,937** | 6,103 |
| **Other comprehensive income** | | | |
| **Items that are or may be reclassified to profit or loss** | | | |
| Foreign operations – foreign currency translation differences | | **XXX** | XXX |
| Equity-accounted investees – share of OCI | | **(XXX)** | (XXX) |
| Available-for-sale financial assets – net change in fair value | | **XXX** | XXX |
| Related tax | | **(XXX)** | (XXX) |
| **Other comprehensive income, net of tax** | | **XXX** | XXX |
| **Total comprehensive income** | | **XXX** | XXX |

* See Note 4

*The notes on pages XX to XX are an integral part of these consolidated financial statements.*

# Statement of changes in equity

## Explanatory notes

| | | |
|---|---|---|
| *IFRS 15 C5, Insights 4.2A.430* | **a.** | In this publication, the Group applies IFRS 15 **retrospectively**, using the practical expedient in paragraph C5(c) of IFRS 15 in relation to remaining performance obligations. In this publication, it is presumed that the practical expedient in paragraph C5(a) of IFRS 15 has no impact on the financial statements.<br><br>Appendix II provides an example for the statement of changes in equity when applying the cumulative effect transition method. |

# Consolidated statement of changes in equity[a]

For the year ended 31 December

| In thousands of euro | Note | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Share premium | Translation reserve | Fair value reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| Balance at 1 January 2014, as previously reported | | XXX | XXX | XXX | XXX | 5,700 | 23,397 | 1,214 | 24,611 |
| Impact of change in accounting policy | 4 | XXX | XXX | XXX | XXX | 4,919 | 4,919 | 43 | 4,962 |
| **Restated balance at 1 January 2014** | | XXX | XXX | XXX | XXX | 10,619 | 28,316 | 1,257 | 29,573 |
| **Total comprehensive income** | | | | | | | | | |
| Restated profit | 4 | - | - | - | - | 5,797 | 5,797 | 306 | 6,103 |
| Restated other comprehensive income | 4 | - | - | XXX | XXX | XXX | XXX | XXX | XXX |
| **Restated total comprehensive income** | | - | - | XXX | XXX | XXX | XXX | XXX | XXX |
| **Restated balance at 31 December 2014 and 1 January 2015** | | XXX | XXX | XXX | XXX | 16,416 | 34,113 | 1,563 | 35,676 |
| **Total comprehensive income** | | | | | | | | | |
| Profit | | - | - | - | - | 7,550 | 7,550 | 387 | 7,937 |
| Other comprehensive income | | - | - | XXX | XXX | XXX | XXX | XXX | XXX |
| **Total comprehensive income** | | - | - | XXX | XXX | XXX | XXX | XXX | XXX |
| **Transactions with owners of the Company** | | | | | | | | | |
| Business combination | | XXX | XXX | - | - | - | XXX | - | XXX |
| **Total transactions with owners of the Company** | | XXX | XXX | - | - | - | XXX | - | XXX |
| **Balance at 31 December 2015** | | XXX | XXX | XXX | XXX | 23,966 | 42,963 | 1,950 | 44,913 |

*The notes on pages XX to XX are an integral part of these consolidated financial statements.*

# Statement of cash flows

## Explanatory notes

| | | |
|---|---|---|
| *IFRS 15 C5, Insights 4.2A.430* | **a.** | In this publication, the Group applies IFRS 15 **retrospectively**, using the practical expedient in paragraph C5(c) of IFRS 15 in relation to remaining performance obligations. In this publication, it is presumed that the practical expedient in paragraph C5(a) of IFRS 15 has no impact on the financial statements.<br><br>Appendix II provides an example for the statement of changes in cash flows, when applying the cumulative effect transition method. |

| | | |
|---|---|---|
| *IAS 7.18(b)* | **b.** | If interest expense is recognised due to a significant financing component in respect of a contract liability and an entity applies the indirect method to present cash flows from operating activities, then the interest is presented as a non-cash transaction in the reconciliation.<br><br>Conversely, if interest income is recognised in respect of a contract asset, then that interest is presented as a cash transaction. |

## Consolidated statement of cash flows[a]

For the year ended 31 December

| | *In thousands of euro* | ***Note*** | **2015** | **2014 Restated*** |
|---|---|---|---|---|
| *IAS 1.10(d), 38–38A, 113* | | | | |
| *IAS 7.18(b)* | **Cash flows from operating activities** | | | |
| | Profit | | **7,937** | 6,103 |
| | Adjustments for: | | | |
| | – Net finance (income)/costs | | **(354)** | 1,110 |
| | – Share of profit of equity-accounted investees, net of tax | | **(641)** | (531) |
| | – Tax expense | | **3,392** | 2,942 |
| | – [...] | | **XXX** | XXX |
| | Changes in: | | | |
| | – Inventories | | **(1,134)** | 1,794 |
| | – Contract costs | *2* | **102** | (214) |
| | – Contract assets[b] | *1* | **960** | (108) |
| | – Trade and other receivables | | **(1,755)** | (295) |
| | – Trade and other payables | | **2,857** | 340 |
| | – Provisions and employee benefits | | **XXX** | XXX |
| | – Contract liabilities[b] | *1* | **365** | 62 |
| | Cash generated from operating activities | | **XXX** | XXX |
| *IAS 7.31–32* | Interest paid | | **XXX** | XXX |
| *IAS 7.35* | Taxes paid | | **XXX** | XXX |
| *IAS 7.10* | **Net cash from operating activities** | | **XXX** | XXX |
| | **Cash flows from investing activities** | | | |
| *IAS 7.31* | Interest received | | **713** | 635 |
| | [...] | | **XXX** | XXX |
| *IAS 7.10* | **Net cash from investing activities** | | **XXX** | XXX |
| | **Cash flows from financing activities** | | | |
| | [...] | | **XXX** | XXX |
| *IAS 7.10* | **Net cash from financing activities** | | **XXX** | XXX |
| | **Net decrease in cash and cash equivalents** | | **XXX** | XXX |
| | Cash and cash equivalents at 1 January | | **XXX** | XXX |
| *IAS 7.28* | Effect of movements in exchange rates on cash held | | **XXX** | XXX |
| | **Cash and cash equivalents at 31 December** | | **XXX** | XXX |

* See Note 4

*The notes on pages XX to XX are an integral part of these consolidated financial statements.*

# Significant accounting policy and nature of goods and services

## Explanatory notes

| | | |
|---|---|---|
| *IAS 1 (2014). 13–114* | **a.** | Notes are presented in a systematic order and are cross-referred to/from items in the primary financial statements. The entity considers the effect on the understandability and comparability of its financial statements when determining this systematic order. The Group has applied its judgement in presenting related information together in cohesive sections. The order presented is only illustrative and entities need to tailor the way the notes are organised to fit their specific circumstances. |
| *IFRS 15.BC354* | **b.** | Under previous requirements in IFRS, entities had to disclose their accounting policies for recognising revenue. However, some users of financial statements raised concerns that in many cases, entities provided a 'boilerplate' description of the accounting policy without explaining how that accounting policy related to the contracts that the entity enters into with customers. To address this criticism, paragraph 119 of IFRS 15 requires that an entity disclose information about its performance obligations in contracts with customers. This disclosure complements the accounting policy disclosure requirements in existing standards by requiring an entity to provide more descriptive information about its performance obligations.<br><br>The Group presents significant accounting policies in the relevant notes, rather than combining them in a separate note. |
| *IAS 1 (2014). 112(a), 117(b), 119, 121* | | The accounting policies included in this publication reflect the circumstances of the Group and are limited to the specific policies that are relevant to an understanding of the Group's revenue accounting.<br><br>These examples of accounting policies should not be relied on for a complete understanding of IFRS 15 and should not be used as a substitute for referring to the standard. To help you identify the underlying requirements in IFRS 15, references to the relevant requirements in the standard have been included. |
| *IFRS 15.111, 119, IAS 1(2014).31* | **c.** | IFRS 15 requires detailed disclosure of entities' performance obligations in contracts with customers. The standard does not specify the level of detail required for this information – i.e. judgement is required in this regard. |
| *IFRS 15.119(e), B28–B33* | **d.** | An 'assurance warranty' is a warranty that only covers the compliance of a product with agreed-upon specifications. A 'service warranty' provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications. Service warranties are accounted for as separate performance obligations and the entity allocates a portion of the transaction price to that performance obligation. |

# Notes to the consolidated financial statements (extract)

## 1. Revenue[a]

### A. Significant accounting policy

*IFRS 15.31, 46–47*

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

### B. Nature of goods and services[b, c]

*IFRS 15.119, 115*

The following is a description of principal activities – separated by reportable segments – from which the Group generates its revenue. For more detailed information about reportable segments, see Note 3.

#### i. Telecom segments

The Telecom segments of the Group principally generate revenue from providing mobile telecommunication services, such as access to the network, airtime usage, messaging, internet services, as well as from sales of mobile devices and extended warranties. Products and services may be sold separately or in bundled packages. The typical length of a contract for bundled packages is 24 months.

*IFRS 15.22(a), 27, 73–74, 79*

For bundled packages, the Group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the mobile devices, extended warranty and telecommunication services. For items that are not sold separately – e.g. customer loyalty programme – the Group estimates stand-alone selling prices using the adjusted market assessment approach.

| | Products and services | Nature, timing of satisfaction of performance obligations and significant payment terms |
|---|---|---|
| *IFRS 15.119* | **Mobile devices** | The Group recognises revenue when a customer takes possession of the device. This usually occurs when the customer signs a new contract. The amount of revenue recognised for mobile devices is adjusted for expected returns, which are estimated based on the historical data for specific models, adjusted as necessary to estimate returns for new models. For mobile devices sold separately, customers pay in full at the point of sale. For mobile devices sold in bundled packages, customers usually pay monthly in equal instalments over a period of 24 months. |
| *IFRS 15.119* | **Mobile telecommunication services** | Mobile telecommunication services include voice, data and text services. The Group recognises revenue as mobile services are provided. Mobile services are billed and paid on monthly basis. |
| *IFRS 15.119* | **Extended warranty[d]** | The Group recognises revenue for extended warranty on a straight-line basis over the extended warranty period. In the majority of countries in which the Group operates, the statutory warranty period is one year and the extended warranty covers periods beyond year one. The payment terms for extended warranty are similar to those for mobile devices. |
| | **Customer loyalty programme** | Under its customer loyalty programme, the Group allocates the equivalent of 0.5% of the consideration received for mobile devices and mobile telecommunication services to loyalty points which are redeemable against any future purchases of the Group's products or services. The amount is deferred in the statement of financial position and is recognised as revenue when the points are redeemed. |

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# Notes to the consolidated financial statements (extract)

## 1. Revenue (continued)

### B. Nature of goods and services (continued)

#### ii. SATCOM segments

The SATCOM segments of the Group principally generate revenue from building and delivering satellite communication systems and equipment under long-term contracts with government agencies and other non-government customers. All SATCOM contracts include a standard warranty clause to guarantee that satellite communication systems comply with agreed specifications.

*IFRS 15.119, 123(a)*

| | |
|---|---|
| **Contracts with government** | Under SATCOM contracts with government agencies, the government controls all of the work in progress as satellite communication systems are being built. Revenue is recognised progressively based on the cost-to-cost method. Payment terms for contracts with government agencies are usually based on equal instalments over the duration of the contract. If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. |
| **Other contracts** | Under other SATCOM contracts, customers do not take control of the satellite communication systems until they are completed. Revenue is recognised on formal acceptance by the customer. On signing of the contract, customers are usually required to make an advance payment of 20% of the contract value that is refundable if the contract is cancelled. The rest of the consideration is payable on acceptance. |
| **Warranty** | All SATCOM contracts include a standard warranty clause to guarantee that satellite communication systems comply with agreed specifications. Based on historical data, the Group recognised a provision of 0.4% of contract consideration for this warranty. |

# Disaggregation of revenue

## Explanatory notes

*IFRS 15.114, B88, IE210–211*

**a.** The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers. Some entities may need to use more than one type of category to meet the objective in paragraph 114 of IFRS 15 for disaggregating revenue. Other entities may meet the objective by using only one type of category.

*IFRS 15.B89*

**b.** Examples of categories that might be appropriate include, but are not limited to, the following:

| Type of category | Example |
|---|---|
| **Type of good or service** | Major product lines |
| **Geographical region** | Country or region |
| **Market or type of customer** | Government and non-government customers |
| **Type of contract** | Fixed-price and time-and-materials contracts |
| **Contract duration** | Short-term and long-term contracts |
| **Timing of transfer of goods or services** | Goods or services transferred to customers:<br>• at a point in time; and<br>• over time |
| **Sales channels** | Goods or services sold:<br>• directly to consumers; and<br>• through intermediaries |

*IFRS 15.115*

**c.** An entity is required to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment, if the entity applies IFRS 8 *Operating Segments*.

*IFRS 15.112, BC339–340, IFRS 8.33(a)*

**d.** An entity need not disclose information in accordance with IFRS 15 if it has provided the information in accordance with another standard.

The Group has disclosed the geographical information about revenues from external customers attributed to the Parent's country of domicile and attributed to foreign countries from which the Group derives revenues in accordance with IFRS 8. In addition, the Group has disaggregated the revenue into geographical regions for each reportable segment in this table.

# 1. Revenue (continued)

## C. Disaggregation of revenue

IFRS 15.114–115

In the following table, revenue is disaggregated by primary geographical market, major products/services lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's four strategic divisions, which are its reportable segments (see Note 3).[a, b]

| | Reportable segments[c] | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Telecom – EU | | Telecom – Non-EU | | SATCOM – Government | | SATCOM – Non-government | | Total reportable segments | | All other segments | | Total | |
| *In thousands of euro* | 2015 | 2014 Restated* | 2015 | 2014 Restated* | 2015 | 2014 Restated* | 2015 | 2014 Restated* | 2015 | 2014 Restated* | 2015 | 2014 Restated* | 2015 | 2014 Restated* |
| **Primary geographical markets**[d] | | | | | | | | | | | | | | |
| Europe | **44,118** | 43,092 | **-** | - | **12,498** | 17,479 | **2,912** | 486 | **59,528** | 61,057 | **44** | 56 | **59,572** | 61,113 |
| North America | **-** | - | **22,053** | 23,112 | **10,045** | 10,714 | **1,356** | 1,418 | **33,454** | 35,244 | **477** | 500 | **33,931** | 35,744 |
| Asia | **-** | - | **18,314** | 14,948 | **-** | - | **4,699** | 6,742 | **23,013** | 21,690 | **63** | 56 | **23,076** | 21,746 |
| | **44,118** | 43,092 | **40,367** | 38,060 | **22,543** | 28,193 | **8,967** | 8,646 | **115,995** | 117,991 | **584** | 612 | **116,579** | 118,603 |
| **Major products/services lines** | | | | | | | | | | | | | | |
| Mobile devices | **15,487** | 14,986 | **14,296** | 13,998 | **-** | - | **-** | - | **29,783** | 28,984 | **-** | - | **29,783** | 28,984 |
| Mobile telecommunications service | **27,213** | 26,978 | **24,911** | 22,985 | **-** | - | **-** | - | **52,124** | 49,963 | **-** | - | **52,124** | 49,963 |
| Extended warranty | **1,228** | 1,013 | **1,101** | 996 | **-** | - | **-** | - | **2,329** | 2,009 | **-** | - | **2,329** | 2,009 |
| SATCOM products | **-** | - | **-** | - | **21,341** | 27,207 | **8,422** | 8,155 | **29,763** | 35,362 | **-** | - | **29,763** | 35,362 |
| Other | **190** | 115 | **59** | 81 | **1,202** | 986 | **545** | 491 | **1,996** | 1,673 | **584** | 612 | **2,580** | 2,285 |
| | **44,118** | 43,092 | **40,367** | 38,060 | **22,543** | 28,193 | **8,967** | 8,646 | **115,995** | 117,991 | **584** | 612 | **116,579** | 118,603 |
| **Timing of revenue recognition** | | | | | | | | | | | | | | |
| Products transferred at a point in time | **15,677** | 15,101 | **14,355** | 14,079 | **1,202** | 986 | **8,422** | 8,155 | **39,656** | 38,321 | **254** | 288 | **39,910** | 38,609 |
| Products and services transferred over time | **28,441** | 27,991 | **26,012** | 23,981 | **21,341** | 27,207 | **545** | 491 | **76,339** | 79,670 | **330** | 324 | **76,669** | 79,994 |
| | **44,118** | 43,092 | **40,367** | 38,060 | **22,543** | 28,193 | **8,967** | 8,646 | **115,995** | 117,991 | **584** | 612 | **116,579** | 118,603 |

* See Note 4

# Contract balances

## Explanatory notes

| | | |
|---|---|---|
| *IFRS 15.116(a)* | **a.** | An entity discloses the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers if they are not otherwise separately presented or disclosed. |
| *IFRS 15. 35(c), 108, BC145* | **b.** | This publication presumes that although the Group has an enforceable right to payment for performance completed to date for many of the SATCOM products, it does not necessarily have a present unconditional right to consideration. |
| *IFRS 15.118, BC346* | **c.** | Although IFRS 15 does not require a tabular reconciliation of the aggregated contract balances, it requires that the explanation of significant changes in the contract asset and the contract liability balances during the reporting period include both qualitative and quantitative information. |
| *IFRS 7.20(e), 15.112 and 113(b)* | **d.** | An entity is required to disclose impairment losses recognised on receivables from contracts with customers, if any exist. Given the requirements of IFRS 7 *Financial Instruments: Disclosures*, this publication assumes that this disclosure has been included in the financial instruments note. |

# Notes to the consolidated financial statements (extract)

## 1. Revenue (continued)

### D. Contract balances

*IFRS 15.116(a)*

The following table provides information about receivables, contracts assets and contract liabilities from contracts with customers.[a]

| *In thousands of euro* | 31 December 2015 | 31 December 2014 Restated* | 1 January 2014 Restated* |
|---|---|---|---|
| Receivables, which are included in 'Trade and other receivables'[b] | **12,615** | 10,654 | 10,485 |
| Contract assets | **721** | 1,681 | 1,573 |
| Contract liabilities | **(5,567)** | (5,202) | (5,140) |

*IFRS 15.116(c)*

The amount of revenue recognised in 2015 from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to the changes in the estimate of the stage of completion of SATCOM contracts with government, is €265 thousand (2014: €105 thousand).

*IFRS 15.117*

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on government SATCOM contracts and mobile handsets. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for non-government SATCOM contracts, for which revenue is recognised on completion of satellite communication systems.

*IFRS 15.118*

Significant changes in the contract assets and the contract liabilities balances during the period are as follows.[c, d]

| | | 2015 | | 2014 Restated* | |
|---|---|---|---|---|---|
| | *In thousands of euro* | Contract assets | Contract liabilities | Contract assets | Contract liabilities |
| *IFRS 15.116(b)* | Revenue recognised that was included in the contract liability balance at the beginning of the period | **-** | **4,294** | - | 3,985 |
| | Increases due to cash received, excluding amounts recognised as revenue during the period | **-** | **(4,328)** | - | (4,047) |
| | Transfers from contract assets recognised at the beginning of the period to receivables | **(1,591)** | **-** | (1,495) | - |
| *IFRS 15.118(b), IE 37–41* | Increases as a result of changes in the measure of progress | **631** | - | 1,603 | - |
| *IFRS 15.118(a)* | Business combination | **-** | **(331)** | - | - |

* See Note 4

# Transaction price allocated to the remaining performance obligations

## Explanatory notes

| | | |
|---|---|---|
| *IFRS 15.111* | **a.** | IFRS 15 does not require the disclosure of information about remaining performance obligations by product and/or service. However, the Group believes that the disaggregated information provided enables users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows. |
| *IFRS 15.120(b)(i)* | **b.** | IFRS 15 requires disclosure based on the time bands that would be most appropriate for the duration of the remaining performance obligations. The Group uses a one-year time band. |
| *IFRS 15.C5(c)* | **c.** | As a practical expedient, an entity that applies IFRS 15 for the first time need not disclose the amount of the transaction price allocated to the remaining performance obligations for reporting periods presented before the date of initial application. |
| *IFRS 15.C6(b), BC437* | **d.** | IFRS 15 requires an entity using the practical expedients in paragraph C5 of IFRS 15 to disclose – to the extent reasonably possible – a qualitative assessment of the estimated effect of applying each of those expedients. The Group considers that the practical expedient applied is only relevant to the disclosure of the amount of the transaction price allocated to the remaining performance obligations and therefore does not provide additional qualitative disclosure. |

# Notes to the consolidated financial statements (extract)

## 1. Revenue (continued)

### E. Transaction price allocated to the remaining performance obligations[a]

*IFRS 15.120*

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

| | *In thousands of euro* | 2016[b] | 2017[b] | 2018[b] | Total |
|---|---|---|---|---|---|
| *IFRS 15.120(b)(i)* | Mobile telecommunications service | 26,545 | 13,154 | - | 39,699 |
| *IFRS 15.120(b)(i)* | Extended warranty service | 1,856 | 1,053 | - | 2,909 |
| *IFRS 15.120(b)(i)* | SATCOM products | 28,765 | 14,357 | 1,096 | 44,218 |

*IFRS 15.121–122*

All consideration from contracts with customers is included in the amounts presented above.

*IFRS 15.120(b)(ii), IE220–221*

As of 31 December 2015, the amount allocated to the customer loyalty programme is €6,584 thousand. This will be recognised as revenue as the customer loyalty programme points are redeemed, which is expected to occur over the next three years.[c]

*IFRS 15.121–122*

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

*IFRS 15.C6*

The Group applies the practical expedient in paragraph C5(c) of IFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 31 December 2014.[d]

## 2. Contract costs

*IFRS 15.127(a)*

Management expects that incremental commission fees paid to intermediaries as a result of obtaining SATCOM contracts are recoverable. The Group has therefore capitalised them as contract costs in the amount of €2,296 thousand at 31 December 2015 (2014: €2,398 thousand).

*IFRS 15.99, 127(b), 128(b)*

Capitalised commission fees are amortised when the related revenues are recognised. In 2015, the amount of amortisation was €1,358 thousand (2014: €1,296 thousand) and there was no impairment loss in relation to the costs capitalised.

*IFRS 15.94, 129*

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

# Operating segments

## Explanatory notes

| | | |
|---|---|---|
| *IFRS 8.28* | **a.** | This publication provides an example of disclosures in relation to reportable segments to enable readers to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment. |
| *IFRS 8, 15.119(c)* | **b.** | An entity is required to disclose the nature of the goods or services that it has promised to transfer. In this publication, more detailed information about the nature of the goods and services is included in Note 1. |

# Notes to the consolidated financial statements (extract)

## 3. Operating segments[a]

### A. Basis for segmentation

*IFRS 8.20–22*

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return on assets and level of capital investment – and have different marketing strategies.

The following summary describes the operations of each reportable segment.[b]

| Reportable segments | | Operations |
|---|---|---|
| **Telecom** | **EU** | Providing mobile telecommunications services and selling mobile devices in the 28 EU countries. |
| | **Non-EU** | Providing mobile telecommunications services and selling mobile devices in jurisdictions outside the EU. |
| **SATCOM** | **Government** | Developing satellite communication systems and equipment for government agencies. |
| | **Non-government** | Developing satellite communication systems and equipment for non-government organisations. |

*IFRS 8.27(a)*

The Group CEO reviews the internal management reports of each segment at least quarterly.

Other operations include the manufacturing of electronic equipment and related parts. None of these segments met the quantitative thresholds for reportable segments in 2015 or 2014.

Inter-segment pricing is determined on an arm’s length basis.

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# 3. Operating segments (continued)

## B. Information about reportable segments

IFRS 8.27

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Group CEO, is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

| | | Reportable segments | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| IFRS 8.16 | | Telecom – EU | | Telecom – Non-EU | | SATCOM – Government | | SATCOM – Non-government | | Total reportable segments | | All other segments | | Total | |
| | *In thousands of euro* | **2015** | **2014 Restated*** | **2015** | **2014 Restated*** | **2015** | **2014 Restated*** | **2015** | **2014 Restated*** | **2015** | **2014 Restated*** | **2015** | **2014 Restated*** | **2015** | **2014 Restated*** |
| IFRS 8.23(a), 32 | External revenues | **44,118** | 43,092 | **40,367** | 38,060 | **22,543** | 28,193 | **8,967** | 8,646 | **115,995** | 117,991 | **584** | 612 | **116,579** | 118,603 |
| IFRS 8.23(b) | Inter-segment revenue | **2,375** | 2,196 | **1,275** | 1,177 | **181** | 223 | **612** | 583 | **4,443** | 4,179 | **12** | 15 | **4,455** | 4,194 |
| | Segment revenue | **46,493** | 45,288 | **41,642** | 39,237 | **22,724** | 28,416 | **9,579** | 9,229 | **120,438** | 122,170 | **596** | 627 | **121,034** | 122,797 |
| IFRS 8.21(b), 23 | Segment profit (loss) before tax | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX |
| IFRS 8.23(c) | Interest income | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX |
| IFRS 8.23(d) | Interest expense | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX |
| IFRS 8.23(e) | Depreciation and amortisation | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX |
| IFRS 8.23(g) | Share of profit (loss) of equity-accounted investees | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX | **XXX** | XXX |
| | […] | | | | | | | | | | | | | | |

* See Note 4

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## Notes to the consolidated financial statements (continued)

### 3. Operating segments (continued)

#### C. Reconciliations of information on reportable segments to IFRS measures

| In thousands of euro | Note | 2015 | 2014 Restated* |
|---|---|---|---|
| IFRS 8.28(a) **i. Revenues** | | | |
| Total revenue for reportable segments | | **120,438** | 122,170 |
| Revenue for other segments | | **596** | 627 |
| Elimination of inter-segment revenue | | **(4,455)** | (4,194) |
| **Consolidated revenue** | | **116,579** | 118,603 |
| IFRS 8.28(b) **ii. Profit before tax** | | | |
| [...] | | | |
| IFRS 8.28(c) **iii. Assets** | | | |
| [...] | | | |
| IFRS 8.28(d) **iv. Liabilities** | | | |
| [...] | | | |

* See Note 4

IFRS 8.33(a)–(b)

#### D. Geographic information

The Telecom and SATCOM segments are managed on a worldwide basis, but the manufacturing facilities and sales offices are primarily located in the UK, the US, China, Germany, the Netherlands and France.

The geographic information below analyses the Group's revenue and non-current assets by the Parent's country of domicile and all foreign countries. In presenting the following information, segment revenue is based on the geographic location of customers and segment assets are based on the geographic location of the assets.

##### i. Revenue

| In thousands of euro | 2015 | 2014 Restated* |
|---|---|---|
| UK | **31,696** | 34,298 |
| **All foreign countries** | | |
| US | **31,654** | 33,641 |
| China | **21,709** | 20,445 |
| Germany | **13,556** | 12,877 |
| Netherlands | **8,181** | 7,994 |
| France | **4,001** | 4,384 |
| Other countries | **5,782** | 4,964 |
| | **116,579** | 118,603 |

##### ii. Non-current assets

| | | |
|---|---|---|
| [...] | **XXX** | XXX |

* See Note 4

#### E. Major customer

IFRS 8.34

Revenues from one customer of the Group's SATCOM – Government segment represented approximately €20,000 thousand (2014: €17,500 thousand) of the Group's total revenues.

# Changes in accounting policies

## Explanatory notes

| | | |
|---|---|---|
| *IFRS 15.BC437–444* | **a.** | In this publication, the Group applies IFRS 15 **retrospectively**, using the practical expedient in paragraph C5(c) of IFRS 15 in relation to remaining performance obligations. In this publication, it is presumed that the practical expedient in paragraph C5(a) of IFRS 15 has no impact on the financial statements.<br><br>Appendices I and II provide example disclosures for the following transition options in IFRS 15.<br><br>• The retrospective method using only the practical expedient in paragraph C5(b) of IFRS 15 in relation to completed contracts with variable consideration; and<br><br>• The cumulative effect method – i.e. retrospective application of IFRS 15 with the cumulative effect of initially applying IFRS 15 recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. |
| | **b.** | The Group has investments in some associates and joint ventures, which are accounted for using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*. As a result of the early adoption of IFRS 15 by the Group, IFRS 15 is also applied in the financial statements of those associates and joint ventures for the purposes of applying IAS 28 in the Group's consolidated financial statements. |

# Notes to the consolidated financial statements (continued)

## 4. Changes in accounting policies[a, b]

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group early adopted IFRS 15 *Revenue from Contracts with Customers* with a date of initial application of 1 January 2015. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

*IAS 8.28, IFRS 15.C5(c), IFRS 15.C6(a)*

The Group applied IFRS 15 **retrospectively** using the practical expedient in paragraph C5(c) of IFRS 15, under which the Group does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Group expects to recognise that amount as revenue for all reporting periods presented before the date of the initial application – i.e. 1 January 2015. The details and quantitative impact of the changes in accounting policies are disclosed below.

### A. Sales of mobile devices in bundled packages

For mobile devices sold in bundled packages, the Group previously limited revenue to the amount that was not contingent on the provision of future telecommunications services. That was typically the amount received from the customer on signing the contract. Under IFRS 15, the total consideration in the contract is allocated to all products and services – e.g. mobile devices, extended warranty and mobile telecommunications services – based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the mobile devices, extended warranty and telecommunication services.

### B. Refunds

For the sale of mobile devices, the Group previously recognised revenue in full and recorded a separate refund liability for expected returns as 'Provisions'. Under IFRS 15, the Group reduces revenue by the amount of expected returns and records it as 'Trade and other payables'. The Group continues to estimate the amount of returns based on the historical data for specific models, adjusted as necessary to estimate returns for new models.

In addition, the Group recognises a related asset for the right to recover returned mobile devices.

### C. SATCOM products

Previously, the Group recognised revenue for all SATCOM products when the customers took delivery of the products and formally accepted them because these contracts did not meet the definition of a construction contract under IAS 11. Under IFRS 15, the Group recognises revenue when a customer obtains control over satellite communication systems. Under SATCOM contracts with government agencies, the government controls all of the work in progress, as satellite communication systems are being built. Therefore, for such contracts, revenue is recognised progressively based on the cost-to-cost method. Under other SATCOM contracts, customers do not take control of the satellite communication systems until they are completed, therefore the Group continues to recognise revenue for such contracts when products are delivered to customers and customers formally accept them.

### D. Commission fees payable

The Group previously recognised commission fees payable related to SATCOM contracts as selling expenses when they were incurred. Under IFRS 15, the Group capitalises those commission fees as costs of obtaining a contract when they are incremental and – if they are expected to be recovered – it amortises them consistently with the pattern of revenue for the related contract. If the expected amortisation period is one year or less, then the commission fee is expensed when incurred.

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# Notes to the consolidated financial statements (continued)

## 4. Changes in accounting policies (continued)

### E. Impacts on financial statements

The following tables summarise the impacts of adopting IFRS 15 on the Group's consolidated financial statements.

#### i. Consolidated statement of financial position

*IAS 8.28(f)(i), IFRS 15.C4*

| | Impact of changes in accounting policies | | |
|---|---|---|---|
| **1 January 2014** *In thousands of euro* | **As previously reported** | **Adjustments** | **As restated** |
| Equity-accounted investees | 1,507 | 23 | 1,530 |
| Deferred tax assets | 1,094 | (196) | 898 |
| Inventories | 6,869 | (1,282) | 5,587 |
| Contract costs | - | 2,184 | 2,184 |
| Contract assets | - | 1,573 | 1,573 |
| Trade and other receivables | 13,089 | 4,562 | 17,651 |
| Other | 58,105 | - | 58,105 |
| **Total assets** | 80,664 | 6,864 | 87,528 |
| Deferred tax liabilities | (95) | (2,463) | (2,558) |
| Trade and other payables | (25,664) | (5) | (25,669) |
| Contract liabilities | - | (5,140) | (5,140) |
| Deferred revenue | (5,701) | 5,701 | - |
| Provisions (current) | (431) | 5 | (426) |
| Other | (24,162) | - | (24,162) |
| **Total liabilities** | (56,053) | (1,902) | (57,955) |
| Retained earnings | (5,700) | (4,919) | (10,619) |
| Non-controlling interests | (1,214) | (43) | (1,257) |
| Other | (17,697) | - | (17,697) |
| **Total equity** | (24,611) | (4,962) | (29,573) |

| | Impact of changes in accounting policies | | |
|---|---|---|---|
| **31 December 2014** *In thousands of euro* | **As previously reported** | **Adjustments** | **As restated** |
| Equity-accounted investees | 2,011 | 17 | 2,028 |
| Deferred tax assets | 1,593 | (553) | 1,040 |
| Inventories | 5,752 | (1,959) | 3,793 |
| Contract costs | - | 2,398 | 2,398 |
| Contract assets | - | 1,681 | 1,681 |
| Trade and other receivables | 13,401 | 4,545 | 17,946 |
| Other | 57,938 | - | 57,938 |
| **Total assets** | 80,695 | 6,129 | 86,824 |
| Deferred tax liabilities | (95) | (2,333) | (2,428) |
| Trade and other payables | (26,003) | (6) | (26,009) |
| Contract liabilities | - | (5,202) | (5,202) |
| Deferred revenue | (6,783) | 6,783 | - |
| Provisions (current) | (505) | 6 | (499) |
| Other | (17,010) | - | (17,010) |
| **Total liabilities** | (50,396) | (752) | (51,148) |
| Retained earnings | (11,104) | (5,312) | (16,416) |
| Non-controlling interests | (1,498) | (65) | (1,563) |
| Other | (17,697) | - | (17,697) |
| **Total equity** | (30,299) | (5,377) | (35,676) |

# Changes in accounting policies (continued)

## Explanatory notes (continued)

| | | |
|---|---|---|
| *IAS 8.28(f)(ii)* | **a.** | An entity is required to disclose the amount of the adjustment to basic and diluted earnings per share, unless it is impracticable to do so.<br>In this publication, it is assumed that the amount of the adjustment is not material. |

## Notes to the consolidated financial statements (continued)

# 4. Changes in accounting policies (continued)

## E. Impacts on financial statements (continued)

### ii. Consolidated statement of profit or loss and OCI

*IAS 8.28(f)(i), IFRS 15.C4*

| For the year ended 31 December 2014<br>*In thousands of euro* | Impact of changes in accounting policies<br>As previously reported | Adjustments | As restated |
|---|---|---|---|
| Revenue | 117,863 | 740 | 118,603 |
| Cost of sales | (77,476) | (677) | (78,153) |
| Selling and distribution expenses | (16,079) | 214 | (15,865) |
| Finance income | 864 | 371 | 1,235 |
| Share of profit of equity-accounted investees, net of tax | 537 | (6) | 531 |
| Income tax expense | (2,715) | (227) | (2,942) |
| Other | (17,306) | - | (17,306) |
| **Profit** | 5,688 | 415 | 6,103 |
| **Total comprehensive income** | XXX | XXX | XXX |

### iii. Consolidated statement of cash flows

*IAS 8.28(f)(i), IFRS 15.C4*

| For the year ended 31 December 2014<br>*In thousands of euro* | Impact of changes in accounting policies<br>As previously reported | Adjustments | As restated |
|---|---|---|---|
| Profit | 5,688 | 415 | 6,103 |
| Adjustments for: | | | |
| – Net finance costs | 1,481 | (371) | 1,110 |
| – Share of profit of equity-accounted investees, net of tax | (537) | 6 | (531) |
| – Tax expense | 2,715 | 227 | 2,942 |
| Changes in: | | | |
| – Inventories | 1,117 | 677 | 1,794 |
| – Contract costs | - | (214) | (214) |
| – Contract assets | - | (108) | (108) |
| – Trade and other receivables | (312) | 17 | (295) |
| – Trade and other payables | 339 | 1 | 340 |
| – Provisions and employee benefits | XXX | (1) | XXX |
| – Contract liabilities | - | 62 | 62 |
| – Deferred revenue | 1,082 | (1,082) | - |
| – Other | XXX | - | XXX |
| **Net cash from operating activities** | XXX | (371) | XXX |
| Interest received | 264 | 371 | 635 |
| **Net cash from investing activities** | XXX | 371 | XXX |
| [...] | XXX | XXX | XXX |
| **Net cash from financing activities** | XXX | XXX | XXX |

There is no material impact on the Group's basic or diluted earnings per share for the year ended 31 December 2014.[a]

# Appendix I

## Retrospective application with practical expedients

a. This Appendix illustrates one possible format for disclosures required for application of IFRS 15 **retrospectively with the practical expedient in paragraph C5(b) of IFRS 15.**

For further details of the transition requirements, including the cumulative effect method, see our publications *Transition to the new revenue standard – What is the best option for your business?* and *Issues In-Depth – Revenue from Contracts with Customers*.

As the primary financial statements and the notes – except for the quantitative effect of the application of paragraph C5(b) of IFRS 15 – are not materially different from the main example, this appendix just includes the note on changes in accounting policies. However, an entity applying this approach would need to present relevant notes as illustrated in the main example.

Variable consideration in this example relates only to the rights of return.

# Notes to the consolidated financial statements (continued)

## 4. Changes in accounting policies[a]

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group early adopted IFRS 15 *Revenue from Contracts with Customers* with a date of initial application of 1 January 2015. Consequently, the Group has changed its accounting policy for revenue recognition as detailed below.

*IAS 8.28, IFRS 15.C6(a) IFRS 15.C5(b)*

The Group applied IFRS 15 retrospectively using the practical expedient in paragraph C5(b) of IFRS 15, under which, for completed contracts that have variable consideration, the Group has used the transaction price at the date when the contract was completed rather than estimating variable consideration amounts in the comparative reporting period.

The details of the significant changes and quantitative impact of the changes are set out below.

### A. Sales of mobile devices in bundled packages

[…]

### B. Refunds

[…]

### C. SATCOM products

[…]

### D. Commission fees payable

[…]

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Notes to the consolidated financial statements (continued)

## 4. Changes in accounting policies (continued)

### E. Impacts on financial statements

The following tables summarise the impacts of adopting IFRS 15 on the Group's consolidated financial statements.

#### i. Consolidated statement of financial position

*IAS 8.28(f)(i), IFRS 15.C4*

| | Impact of changes in accounting policies | | |
|---|---|---|---|
| **1 January 2014**<br>*In thousands of euro* | **As previously reported** | **Adjustments** | **As restated** |
| Equity-accounted investees | 1,507 | 23 | 1,530 |
| Deferred tax assets | 1,094 | (198) | 896 |
| Inventories | 6,869 | (1,282) | 5,587 |
| Contract costs | - | 2,184 | 2,184 |
| Contract assets | - | 1,573 | 1,573 |
| Trade and other receivables | 13,089 | 4,621 | 17,710 |
| Other | 58,105 | - | 58,105 |
| **Total assets** | 80,664 | 6,921 | 87,585 |
| Deferred tax liabilities | (95) | (2,484) | (2,579) |
| Trade and other payables | (25,664) | (1) | (25,665) |
| Contract liabilities | - | (5,140) | (5,140) |
| Deferred revenue | (5,701) | 5,701 | - |
| Provisions (current) | (431) | 5 | (426) |
| Other | (24,162) | - | (24,162) |
| **Total liabilities** | (56,053) | (1,919) | (57,972) |
| Retained earnings | (5,700) | (4,959) | (10,659) |
| Non-controlling interests | (1,214) | (43) | (1,257) |
| Other | (17,697) | - | (17,697) |
| **Total equity** | (24,611) | (5,002) | (29,613) |

| | Impact of changes in accounting policies | | |
|---|---|---|---|
| **31 December 2014**<br>*In thousands of euro* | **As previously reported** | **Adjustments** | **As restated** |
| Equity-accounted investees | 2,011 | 17 | 2,028 |
| Deferred tax assets | 1,593 | (553) | 1,040 |
| Inventories | 5,752 | (1,959) | 3,793 |
| Contract costs | - | 2,398 | 2,398 |
| Contract assets | - | 1,681 | 1,681 |
| Trade and other receivables | 13,401 | 4,647 | 18,048 |
| Other | 57,938 | - | 57,938 |
| **Total assets** | 80,695 | 6,231 | 86,926 |
| Deferred tax liabilities | (95) | (2,368) | (2,463) |
| Trade and other payables | (26,003) | (3) | (26,006) |
| Contract liabilities | - | (5,202) | (5,202) |
| Deferred revenue | (6,783) | 6,783 | - |
| Provisions (current) | (505) | 6 | (499) |
| Other | (17,010) | - | (17,010) |
| **Total liabilities** | (50,396) | (784) | (51,180) |
| Retained earnings | (11,104) | (5,382) | (16,486) |
| Non-controlling interests | (1,498) | (65) | (1,563) |
| Other | (17,697) | - | (17,697) |
| **Total equity** | (30,299) | (5,447) | (35,746) |

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Notes to the consolidated financial statements (continued)

## 4. Changes in accounting policies (continued)

### E. Impacts on financial statements (continued)

#### ii. Consolidated statement of profit or loss and OCI

*IAS 8.28(f)(i), IFRS 15.C4*

| | Impact of changes in accounting policies | | |
|---|---|---|---|
| **For the year ended 31 December 2014** *In thousands of euro* | **As previously reported** | **Adjustments** | **As restated** |
| Revenue | 117,863 | 783 | 118,646 |
| Cost of sales | (77,476) | (677) | (78,153) |
| Selling and distribution expenses | (16,079) | 214 | (15,865) |
| Finance income | 864 | 371 | 1,235 |
| Share of profit of equity-accounted investees, net of tax | 537 | (6) | 531 |
| Income tax expense | (2,715) | (240) | (2,955) |
| Other | (17,306) | - | (17,306) |
| **Profit** | 5,688 | 445 | 6,133 |
| **Total comprehensive income** | XXX | XXX | XXX |

#### iii. Consolidated statement of cash flows

*IAS 8.28(f)(i), IFRS 15.C4*

| | Impact of changes in accounting policies | | |
|---|---|---|---|
| **For the year ended 31 December 2014** *In thousands of euro* | **As previously reported** | **Adjustments** | **As restated** |
| Profit | 5,688 | 445 | 6,133 |
| Adjustments for: | | | |
| – Net finance costs | 1,481 | (371) | 1,110 |
| – Share of profit of equity-accounted investees, net of tax | (537) | 6 | (531) |
| – Tax expense | 2,715 | 240 | 2,955 |
| Changes in: | | | |
| – Inventories | 1,117 | 677 | 1,794 |
| – Contract costs | - | (214) | (214) |
| – Contract assets | - | (108) | (108) |
| – Trade and other receivables | (312) | (26) | (338) |
| – Trade and other payables | 339 | 2 | 341 |
| – Provisions and employee benefits | XXX | (2) | XXX |
| – Contract liabilities | - | 62 | 62 |
| – Deferred revenue | 1,082 | (1,082) | - |
| – Other | XXX | - | XXX |
| **Net cash from operating activities** | XXX | (371) | XXX |
| Interest received | 264 | 371 | 635 |
| **Net cash from investing activities** | XXX | 371 | XXX |
| [...] | XXX | XXX | XXX |
| **Net cash from financing activities** | XXX | XXX | XXX |

*IFRS 15.C6(b)*

As a result of applying the practical expedient in paragraph C5(b) of IFRS 15, revenue recognised in relation to returns and related trade receivables and inventories for the period ended 31 December 2014 and as at 1 January 2014 were determined using the transaction prices at the date the contracts were completed, rather than estimating variable consideration amounts in the comparative reporting periods.

*IAS 8.28(f)(ii), IFRS 15.C4*

There is no material impact on the Group's basic or diluted earnings per share for the year ended 31 December 2014.

# Appendix II

## Retrospective application with the cumulative effect of initially applying IFRS 15

| | | |
|---|---|---|
| | **a.** | This Appendix illustrates one possible format for disclosures required if an entity applies the **cumulative effect method to transition to IFRS 15 in accordance with paragraph C3(b) of IFRS 15**.<br><br>For further details of the transition requirements, including the cumulative effect method, see our publications *Transition to the new revenue standard – What is the best option for your business?* and *Issues In-Depth – Revenue from Contracts with Customers*.<br><br>As many of the notes required under paragraph C3(b) of IFRS 15 are not materially different from the main example, the appendix just includes selected presentation and disclosure items. However, an entity applying this approach would need to present all relevant notes as illustrated in the main example. |
| *IFRS 15.C7* | **b.** | Under the cumulative effect method, the comparative information in the statement of financial position is not restated. |

# Consolidated statement of financial position[a, b]

For the year ended 31 December *

| *In thousands of euro* | ***Note*** | **31 December 2015** | **31 December 2014** |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | **XXX** | XXX |
| Intangible assets and goodwill | | **XXX** | XXX |
| Equity-accounted investees | | **2,686** | 2,011 |
| Other investments | | **XXX** | XXX |
| Deferred tax assets | | **934** | 1,593 |
| Contract costs | *2* | **2,296** | - |
| **Non-current assets** | | **60,257** | 53,792 |
| Inventories | | **4,927** | 5,752 |
| Contract assets | *1* | **721** | - |
| Other investments | | **XXX** | XXX |
| Trade and other receivables | | **19,701** | 13,401 |
| Cash and cash equivalents | | **XXX** | XXX |
| **Current assets** | | **34,963** | 26,903 |
| **Total assets** | | **95,220** | 80,695 |
| **Equity** | | | |
| Share capital | | **XXX** | XXX |
| Reserves | | **XXX** | XXX |
| Retained earnings | | **23,966** | 11,104 |
| **Equity attributable to owners of the Company** | | **42,963** | 28,801 |
| **Non-controlling interests** | | **1,950** | 1,498 |
| **Total equity** | | **44,913** | 30,299 |
| **Liabilities** | | | |
| Provisions | | **XXX** | XXX |
| Deferred tax liabilities | | **2,420** | 95 |
| **Non-current liabilities** | | **5,133** | 3,114 |
| Current tax liabilities | | **XXX** | XXX |
| Loans and borrowings | | **XXX** | XXX |
| Trade and other payables | | **28,866** | 26,003 |
| Contract liabilities | *1* | **5,567** | - |
| Deferred revenue | | **-** | 6,783 |
| Employee benefits | | **XXX** | XXX |
| Provisions | | **609** | 505 |
| **Current liabilities** | | **45,174** | 47,282 |
| **Total liabilities** | | **50,307** | 50,396 |
| **Total equity and liabilities** | | **95,220** | 80,695 |

* See Note 4

*The notes on pages XX to XX are an integral part of these consolidated financial statements.*

# Statement of profit or loss and other comprehensive income

## Explanatory notes

| | | |
|---|---|---|
| *IFRS 15.C7* | **a.** | Under the cumulative effect method, the comparative information in the statement of profit or loss and other comprehensive income is not restated. |

# Consolidated statement of profit or loss and other comprehensive income[a]

For the year ended 31 December *

| *In thousands of euro* | *Note* | 2015 | 2014 |
|---|---|---|---|
| **Profit** | | | |
| Revenue | *1* | **116,579** | 117,863 |
| Cost of sales | | **(69,571)** | (77,476) |
| Gross profit | | **47,008** | 40,387 |
| Other income | | **XXX** | XXX |
| Selling and distribution expenses | | **(15,562)** | (16,079) |
| Administrative expenses | | **XXX** | XXX |
| Other expenses | | **XXX** | XXX |
| **Operating profit** | | **10,334** | 9,347 |
| Finance income | | **2,331** | 864 |
| Finance costs | | **(1,977)** | (2,345) |
| **Net finance income/(costs)** | | **354** | (1,481) |
| Share of profit of equity-accounted investees, net of tax | | **641** | 537 |
| **Profit before tax** | | **11,329** | 8,403 |
| Income tax expense | | **(3,392)** | (2,715) |
| **Profit** | | **7,937** | 5,688 |
| **Other comprehensive income** | | | |
| Foreign operations – foreign currency translation differences | | **XXX** | XXX |
| Equity-accounted investees – share of OCI | | **(XXX)** | (XXX) |
| Available-for-sale financial assets – net change in fair value | | **XXX** | XXX |
| Related tax | | **(XXX)** | (XXX) |
| **Other comprehensive income, net of tax** | | **XXX** | XXX |
| **Total comprehensive income** | | **XXX** | XXX |

* See Note 4

*The notes on pages XX to XX are an integral part of these consolidated financial statements.*

# Statement of changes in equity

## Explanatory notes

| | | |
|---|---|---|
| *IFRS 15.C7* | **a.** | If an entity elects to apply the cumulative effect method, then it is required to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application. Under this transition method, an entity is required to apply IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application. |

# Consolidated statement of changes in equity

For the year ended 31 December

| *In thousands of euro* | *Note* | Attributable to owners of the Company<br>Share capital | Share premium | Translation reserve | Fair value reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | | XXX | XXX | XXX | XXX | 5,700 | 23,397 | 1,214 | 24,611 |
| **Total comprehensive income** | | | | | | | | | |
| Profit | | - | - | - | - | 5,404 | 5,404 | 284 | 5,688 |
| Other comprehensive income | | - | - | XXX | XXX | XXX | XXX | XXX | XXX |
| **Total comprehensive income** | | - | - | XXX | XXX | XXX | XXX | XXX | XXX |
| **Balance at 31 December 2014** | | XXX | XXX | XXX | XXX | 11,104 | 28,801 | 1,498 | 30,299 |
| Balance at 1 January 2015, as previously reported | | **XXX** | **XXX** | **XXX** | **XXX** | **11,104** | **28,801** | **1,498** | **30,299** |
| Impact of change in accounting policy[a] | *2* | **XXX** | **XXX** | **XXX** | **XXX** | **5,312** | **5,312** | **65** | **5,377** |
| **Adjusted balance at 1 January 2015** | | **XXX** | **XXX** | **XXX** | **XXX** | **16,416** | **34,113** | **1,563** | **35,676** |
| **Total comprehensive income** | | | | | | | | | |
| Profit | | **-** | **-** | **-** | **-** | **7,550** | **7,550** | **387** | **7,937** |
| Other comprehensive income | | **-** | **-** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** |
| **Total comprehensive income** | | **-** | **-** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** |
| **Transactions with owners of the Company** | | | | | | | | | |
| Business combination | | **XXX** | **XXX** | **-** | **-** | **-** | **XXX** | **-** | **XXX** |
| **Total transactions with owners of the Company** | | **XXX** | **XXX** | **-** | **-** | **-** | **XXX** | **-** | **XXX** |
| **Balance at 31 December 2015** | | **XXX** | **XXX** | **XXX** | **XXX** | **23,966** | **42,963** | **1,950** | **44,913** |

*The notes on pages XX to XXX are an integral part of these consolidated financial statements.*

# Statement of cash flows

## Explanatory notes

| | | |
|---|---|---|
| *IFRS 15.C7* | **a.** | Under the cumulative effect method, the comparative information in the statement of cash flows is not restated. |

## Consolidated statement of cash flows[a]

IAS 1.10(d), 38–38A, 113

| In thousands of euro | Note | For the year ended 31 December * 2015 | 2014 |
|---|---|---|---|
| **Cash flows from operating activities** (IAS 7.18(b)) | | | |
| Profit | | **7,937** | 5,688 |
| Adjustments for: | | | |
| – Net finance (income)/costs | | **(354)** | 1,481 |
| – Share of profit of equity-accounted investees, net of tax | | **(641)** | (537) |
| – Tax expense | | **3,392** | 2,715 |
| – […] | | **XXX** | XXX |
| Changes in: | | | |
| – Inventories | | **(1,134)** | 1,117 |
| – Contract costs | 2 | **102** | - |
| – Contract assets | 1 | **960** | - |
| – Trade and other receivables | | **(1,755)** | (312) |
| – Trade and other payables | | **2,857** | 339 |
| – Provisions and employee benefits | | **XXX** | XXX |
| – Contract liabilities | 1 | **365** | - |
| – Deferred revenue | | **-** | 1,082 |
| Cash generated from operating activities | | **XXX** | XXX |
| IAS 7.31–32 Interest paid | | **XXX** | XXX |
| IAS 7.35 Taxes paid | | **XXX** | XXX |
| IAS 7.10 **Net cash from operating activities** | | **XXX** | XXX |
| **Cash flows from investing activities** | | | |
| IAS 7.31 Interest received | | **713** | 264 |
| […] | | **XXX** | XXX |
| IAS 7.10 **Net cash from investing activities** | | **XXX** | XXX |
| **Cash flows from financing activities** | | | |
| […] | | **XXX** | XXX |
| IAS 7.10 **Net cash from financing activities** | | **XXX** | XXX |
| **Net decrease in cash and cash equivalents** | | **XXX** | XXX |
| Cash and cash equivalents at 1 January | | **XXX** | XXX |
| IAS 7.28 Effect of movements in exchange rates on cash held | | **XXX** | XXX |
| **Cash and cash equivalents at 31 December** | | **XXX** | XXX |

* See Note 4

*The notes on pages XX to XX are an integral part of these consolidated financial statements.*

# Changes in accounting policies

## Explanatory notes

a. In applying paragraph C3(b) of IFRS 15, the accounting policies for revenue recognition which the Group had applied before the adoption of IFRS 15 are applied to the financial statements for the comparative period. As a result, these pre-IFRS 15 accounting policies need to be disclosed as well as those which the Group applies after the adoption of IFRS 15. In this Appendix, an example for the disclosure of the accounting policies applied before the adoption of IFRS 15 is not provided.

## Notes to the consolidated financial statements (continued)

### 4. Changes in accounting policies[a]

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group early adopted IFRS 15 *Revenue from Contracts with Customers* with a date of initial application of 1 January 2015. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

IAS 8.28

The Group applied IFRS 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2015. Therefore, the comparative information have not been restated and continue to be reported under IAS 18 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below.

#### A. Sales of mobile devices in bundled packages

[...]

#### B. Refunds

[...]

#### C. SATCOM products

[...]

#### D. Commission fees payable

[...]

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# Notes to the consolidated financial statements (continued)

## 4. Changes in accounting policies (continued)

### E. Impacts on financial statements

The following tables summarise the impacts of adopting IFRS 15 on the Group's consolidated financial statements for the year ending 31 December 2015.

#### i. Consolidated statement of financial position

*IFRS 15.C8*

| | Impact of changes in accounting policies | | |
|---|---|---|---|
| **31 December 2015**<br>*In thousands of euro* | **As reported** | **Adjustments** | **Balances without adoption of IFRS 15** |
| Equity-accounted investees | 2,686 | (21) | 2,665 |
| Deferred tax assets | 934 | 322 | 1,256 |
| Inventories | 4,927 | 986 | 5,913 |
| Contract costs | 2,296 | (2,296) | - |
| Trade and other receivables | 19,701 | (4,612) | 15,089 |
| Contract assets | 721 | (721) | - |
| Other | 63,955 | - | 63,955 |
| **Total assets** | 95,220 | (6,342) | 88,878 |
| Deferred tax liabilities | (2,420) | 2,325 | (95) |
| Trade and other payables | (28,866) | 4 | (28,862) |
| Contract liabilities | (5,567) | 5,567 | - |
| Deferred revenue | - | (6,487) | (6,487) |
| Provisions (current) | (609) | (4) | (613) |
| Other | (12,845) | - | (12,845) |
| **Total liabilities** | (50,307) | 1,405 | (48,902) |
| Retained earnings | (23,966) | 4,904 | (19,062) |
| Non-controlling interests | (1,950) | 33 | (1,917) |
| Other | (18,997) | - | (18,997) |
| **Total equity** | (44,913) | 4,937 | (39,976) |

#### ii. Consolidated statement of profit or loss and OCI

*IAS 8.28(f)(i), IFRS 15.C4*

| | Impact of changes in accounting policies | | |
|---|---|---|---|
| **For the year ended 31 December 2015**<br>*In thousands of euro* | **As reported** | **Adjustments** | **Balances without adoption of IFRS 15** |
| Revenue | 116,579 | 1,945 | 118,524 |
| Cost of sales | (69,571) | (973) | (70,544) |
| Selling and distribution expenses | (15,562) | 102 | (15,460) |
| Finance income | 2,331 | (391) | 1,940 |
| Share of profit of equity-accounted investees, net of tax | 641 | (4) | 637 |
| Income tax expense | (3,392) | (239) | (3,631) |
| Other | (23,089) | - | (23,089) |
| **Profit** | 7,937 | 440 | 8,377 |
| **Total comprehensive income** | XXX | XXX | XXX |

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## Notes to the consolidated financial statements (continued)

## 4. Changes in accounting policies (continued)

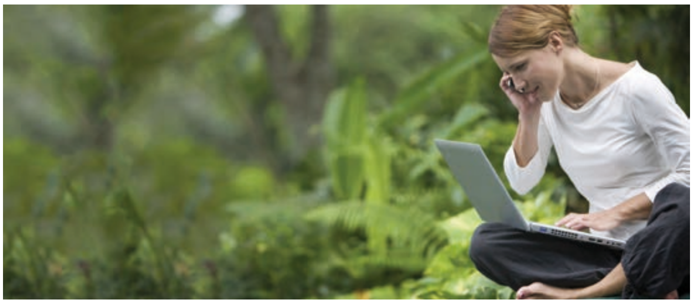
### E. Impacts on financial statements (continued)

#### iii. Consolidated statement of cash flows

*IAS 8.28(f)(i), IFRS 15.C4*

| | Impact of changes in accounting policies | | |
|---|---|---|---|
| **For the year ended 31 December 2015**<br>*In thousands of euro* | **As reported** | **Adjustments** | **Balances without adoption of IFRS 15** |
| Profit | 7,937 | 440 | 8,377 |
| Adjustments for: | | | |
| – Net finance costs | (354) | 391 | 37 |
| – Share of profit of equity-accounted investees, net of tax | (641) | 4 | (637) |
| – Tax expense | 3,392 | 239 | 3,631 |
| Changes in: | | | |
| – Inventories | (1,134) | 973 | (161) |
| – Contract costs | 102 | (102) | - |
| – Contract assets | 960 | (960) | - |
| – Trade and other receivables | (1,755) | 67 | (1,688) |
| – Trade and other payables | 2,857 | 2 | 2,859 |
| – Provisions and employee benefits | XXX | (2) | XXX |
| – Contract liabilities | 365 | (365) | - |
| – Deferred revenue | - | 296 | (296) |
| – Other | XXX | - | XXX |
| **Net cash from operating activities** | XXX | 983 | XXX |
| Interest received | 713 | (983) | (270) |
| **Net cash from investing activities** | XXX | XXX | XXX |
| […] | XXX | XXX | XXX |
| **Net cash from financing activities** | XXX | XXX | XXX |

# Keeping you informed



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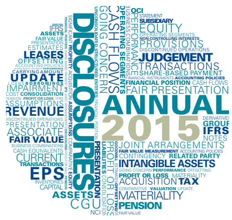


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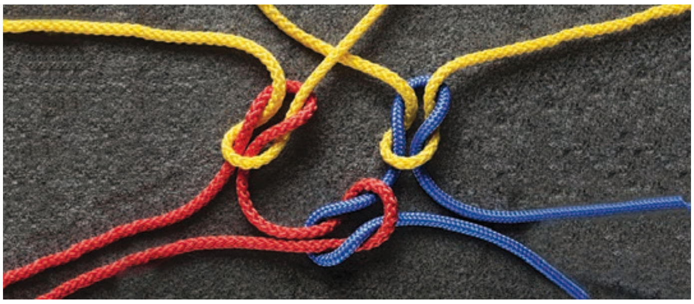

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# Acknowledgements

We would like to acknowledge the efforts of the principal authors of this publication. They are Irina Ipatova, Kiary Kwong, Brian O'Donovan, Agnieszka Sekita and Marina Shu of the KPMG International Standards Group, and Masafumi Nakane and Sachiko Tsujino of KPMG Japan.

In addition, we thank the members of KPMG's global IFRS revenue recognition and provisions topic team for their contributions.

| | |
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| Brian Allen | United States |
| Enrique Garcia Asla | Spain |
| Phil Dowad | Canada |
| Lise du Randt | South Africa |
| Kim Heng | Australia |
| Ramon Jubels | Brazil |
| Prabhakar Kalavacherla (Leader) | United States |
| Vijay Mathur | India |
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| Brian O'Donovan (Deputy leader) | United Kingdom |
| Carmel O'Rourke | Czech Republic |
| Anne Schurbohm (Deputy leader) | Germany |
| Sachiko Tsujino | Japan |

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Publication name: *Guide to annual financial statements – IFRS 15 supplement*

Publication number: 133136

Publication date: November 2015

KPMG International Standards Group is part of KPMG IFRG Limited.