Disclosing the expected impact of IFRS 15

June 2018

Grant Thornton has reviewed 91 entities' disclosures in relation to the anticipated impact of IFRS 15, highlighting key trends and themes across various industries.

We note that very few entities had decided to early adopt the new Standard with the majority choosing to implement it from their first reporting period commencing on or after he effective date of 1 January 2018. Just under half of the entities reviewed have not yet stated which method of transition they plan to apply. Of those that have disclosed their intended transition method, more than half have opted for the modified retrospective approach (cumulative adjustment to opening reserves of the current year).

In addition, the majority of entities have not yet quantified the expected impact that IFRS 15 will have in their disclosures. For those that have provided quantitative information of the impact of the new Standard, there is a fairly even split between those anticipating a material impact and those that do not.

The FRC has signalled that they will be scrutinising disclosures made by companies in their financial statements prior to implementing the Standard and in November 2017 they stated that they expect all entities to discuss and quantify the impact that IFRS 15 will have in the last financial statements before the transition date. In our report, we have highlighted six entities that we consider have presented the strongest disclosures. These entities have provided analysis specific to each of their revenue streams, detailing the treatment under the previous revenue standards and how this has changed under IFRS 15, as well as quantifying these changes.

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IFRS 15 **Revenue from Contracts with Customers** is effective for annual periods beginning on or after 1 January 2018. It establishes a 5-step model for recognising revenue arising from contracts with customers.

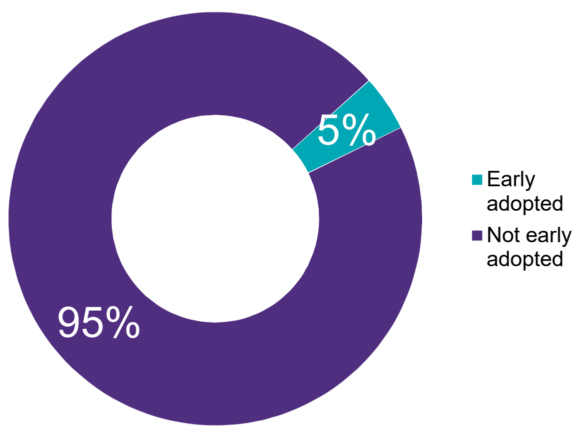
The new revenue Standard supersedes all current revenue recognition requirements under IFRS and is expected to have a significant impact on companies' financial reporting.

We have conducted a review of the public disclosures made by 91 companies across a number of industries including telecoms, utilities, construction, retail and recruitment to identify common themes arising as entities transition to, or begin to assess the impacts of, IFRS 15. We have primarily focused on the disclosures these companies have made in accordance with the requirements of IAS 8 in their latest Annual Reports, however this review also includes other sources such as Press Releases where these cover points of interest.

Early adoption

Of the 91 companies researched, only four have early adopted the Standard and one has stated an intention to early adopt IFRS 15. The remaining companies have chosen to adopt the new Standard in line with the effective date.

Adoption of IFRS 15



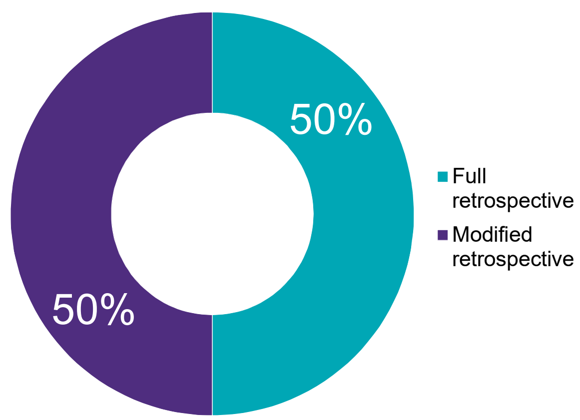
Transition approaches

When the standard is adopted, an entity can choose whether to apply the full retrospective approach (restating prior year figures), or a modified retrospective application (recording an adjustment to opening reserves). The majority of companies reviewed have stated their intention to follow the modified retrospective approach.

Of the early adopters, two companies applied the full retrospective approach; these two companies recorded a reduction in revenue, with one recording a decrease of 5% and the other, a more substantial decrease of 20%, compared to the previous standard.

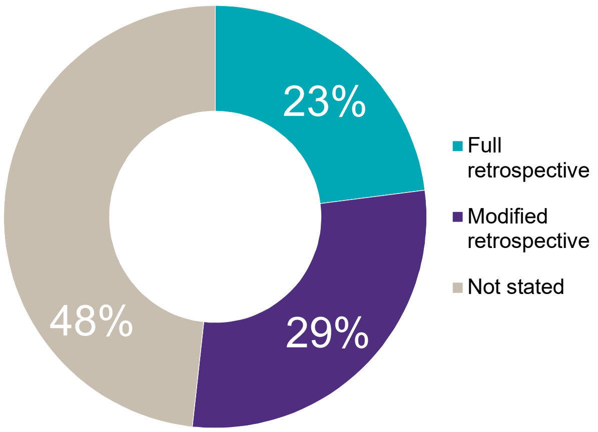
The other two early adopters have elected to use the modified retrospective application and they have recorded an increase in revenue, ranging from 6% to 15% of revenue recorded under the previous standard.

Early adopters – Transition approach



Of the companies reviewed which are not planning to early adopt the Standard, 48% have yet to outline which transition method they intend to apply. 23% (twenty entities) of those that have stated their intention have chosen the full retrospective approach, with the remainder selecting the modified retrospective approach.

Not yet adopted – Transition approach



IAS 8 disclosures

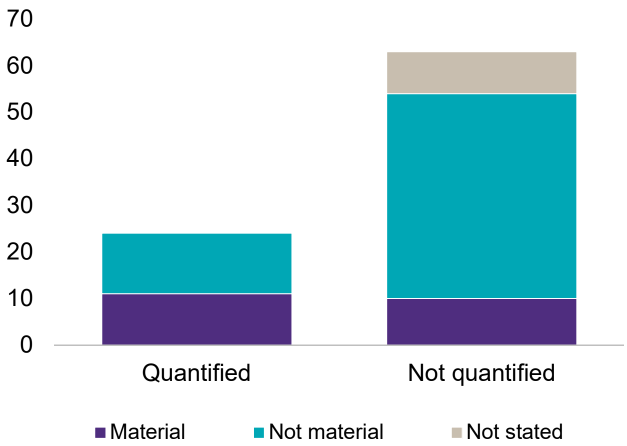
IFRS 8.30-31 requires an entity to disclose known or reasonably estimable information to enable users to understand the possible impact of a new standard. If an entity does not have reasonable information to be able to make a detailed assessment, this fact must be stated. This was a point raised in the FRC's 2017 Annual Review of Corporate Reporting; the FRC expect to see detailed disclosures regarding the effect of IFRS 15, applying them specifically to the circumstances of the entity. And specifically they stated that they expect entities to have quantified the impact of IFRS 15 in the last set of financial statements before the transition date. It remains to be seen what level of challenge the FRC will raise in respect of those companies which it considers fall short of these expectations.

However, only 24 entities who have not early adopted have quantified the anticipated impact of transition; just over half of these entities have anticipated that the transition adjustments are likely not to be material at less than 1% of original revenue.

The remaining entities (62) have yet to quantify the expected impact of IFRS 15 with nine having yet to disclose an assessment in their financial statements at all.

Of those who have made an initial assessment but not quantified an impact, (53 out of 62 non-early adopters), 83% are not anticipating a material impact. The remainder consider that the transition will have a material impact but have yet to quantify it.

Not yet adopted – Anticipated impact



Other insights

With revenue and profits, and consequently distributable reserves affected, there is likely to be an impact on dividends paid by companies. However only two of the companies reviewed discussed their dividend policy; one will delay paying a dividend again until the next financial year when it is expected that sufficient distributable reserves will have been created. The other company has stated its intention to maintain a flat dividend, with no rise expected until the next financial year.

Bank covenants are also an area for companies to consider when transitioning to IFRS 15. Two of the early adopters explain that agreements have been reached with lenders with regards to covenants, either by testing the covenants as if IFRS 15 had not been adopted ('frozen GAAP'), or by updating the covenants to reflect the changes under IFRS 15. In both cases the entities had applied the full retrospective approach, but their lenders have not required retesting of the previous years' covenants.

A quarter of the entities covered by our review have made reference to the disclosure requirements under IFRS 15 and how these are different to the previous accounting standards. A number of entities have highlighted these as causing the main differences in the transition to IFRS 15.

Industry analysis

From the disclosures we reviewed, the industry that is most vocal about expecting significant changes is telecommunications.

The requirement to account separately for ‘distinct’ performance obligations within their contracts with customers, that generally tend to comprise a bundle of goods and services, is likely to result in different treatments under IFRS 15 compared to IAS 18. In most cases, companies are saying that this is expected to lead to an acceleration of revenue recognised for equipment, but a reduction of revenue recognised for airtime, services etc.

For most other industries, it is difficult to draw meaningful conclusions, as many companies are yet to determine the full potential impact of IFRS 15, and the extent of the impact experienced will be highly dependent on the specific terms of the contracts that entities have with their customers.

Some early themes that we have noted, however, are:

01	Within the recruitment industry, all entities reviewed are anticipating material changes, with the ‘early adopter’ that we reviewed recording a decrease in revenue of 5%
02	Most property developers reviewed have not yet quantified the impact and for those that have made the assessment of the impact of IFRS 15, there is some evidence of differences in emerging practice. For example two entities have outlined different treatments for part exchange sales
03	Entities in the engineering industry are expecting material changes however whether this results in the acceleration or deceleration of revenue will be very dependent on the specific contracts each entity has. Most entities reviewed are planning to adopt the full retrospective transition approach
04	Entities who provide business services have highlighted key areas of consideration as principal vs agent, sales commission treatment and the capitalisation of costs incurred in securing contracts
05	For the mining industry, both entities’ disclosures that we reviewed noted that there would be no material adjustments in the transition to IFRS 15
06	All pharmaceutical entities reviewed are looking to adopt the modified transition approach but are not anticipating material changes in the implementation of IFRS 15
07	For the most part, manufacturing entities and retail entities did not have very strong disclosures with regards to the impact of IFRS 15, perhaps reflecting that they are anticipating very little change from IAS 18
08	Entities in the hotel industry were consistent in the main areas of focus for IFRS 15 transition, specifically being principal vs agent considerations. They are also consistent in their choice of transition approach, being full retrospective

What good looks like

We have **highlighted six entities** that we consider have presented particularly strong disclosures around IFRS 15 implementation. These disclosures are detailed and tailored specifically to the businesses. They also include discussion of each revenue stream the entity has as well as explaining the previous treatment and the new treatment under IFRS 15.

Company	Year end	Sector	Early adoption	Transition approach	Quantification of impact	Quantified: Material change	Not quantified: Material change	Disclosure cross reference
Chemring Group plc	30/04/2017	Defence & Security	Yes	Modified retrospective	Yes	Yes		Page 9
Page Group plc	31/12/2016	Recruitment	No	Full retrospective	Not established	No		Page 11
Rolls Royce plc	31/12/2017	Engineering	No	Full retrospective	Yes	Yes		Page 13
IHG plc	31/12/2017	Hotels	No	Full retrospective	Yes	Yes		Page 18
Orange plc	31/12/2017	Telecoms	No	Full retrospective	Yes	No		Page 20
Gamma Communications plc	31/12/2017	Technology	No	Full retrospective	Yes	Yes		Page 21

The following Research and Sources section presents our full research, comprising extracts from the Annual Reports and other sources reviewed, grouped by industry sector. The full list of the entities that we reviewed is included in the Index (page 155-8).

Research and sources

What good looks like

Chemring Group plc

Chemring Group plc is engaged in offering solutions to protect defence and security markets.

The Company operates through three segments:

1 **Countermeasures** – development and manufacture of expendable countermeasures for air, sea and land platforms, and land-based electronic warfare equipment

2 **Sensors & Electronics** – development and manufacture of improvised explosive device (IED) detection equipment, chemical and biological threat detection equipment, IED electronic countermeasures, network protection technologies and explosive ordnance disposal equipment

3 **Energetic Systems** – development, procurement and manufacture of signals and illumination devices and payloads, cartridge/propellant actuated devices, pyrotechnic devices for satellite launch and deployment, missile and ammunition components, propellants, warheads, fuses, separation sub-systems, actuators and energetic materials.

What we liked: Chemring has early adopted IFRS 15 as they consider it to be a more prudent recognition basis for revenue. We consider this to be a strong disclosure as Chemring discusses each business division individually, disclosing the impact on revenue and operating profit for each. The disclosure also states that under IFRS 15 revenue is recognised later, and it provides an appropriate explanation for this.

Adoption of IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 for its 2017 financial year and the Board believes that this represents a move to a more prudent basis of revenue recognition.

The majority of the Group's transactions are unaffected by IFRS 15, however when IFRS 15 is applied to a small number of customer contracts this leads to a difference in the timing of recognising revenue. As permitted by the standard, the Group has adopted the modified transitional provisions and as such the 2016 results remain as previously reported.

The net effect of the adoption of IFRS 15 on the Group results for the first half of 2017 was broadly neutral. The impact of adoption on the six month period to 30 April 2017 has been to increase revenue by £14.3 million and increase underlying operating profit by £4.1 million arising from transactions recognised in prior periods which would have subsequently been recognised in the current period under IFRS 15. Similarly a number of transactions, with a broadly equivalent operating profit impact, will be recognised in the second half of 2017 that could have previously been recognised in the first half. This timing difference is expected to recur at each reporting period end, albeit at a different quantum.

The Group has adopted IFRS 15 for its 2017 financial year. The majority of the Group's transactions are unaffected by IFRS 15, however when IFRS 15 is applied to a small number of customer contracts this leads to a difference in the timing of recognising revenue. As permitted by the standard, the Group has taken advantage of the modified transitional provisions and as such the 2016 results remain as previously reported. Under the modified approach the cumulative approach of initially applying the standard is recognised at 1 November 2016 with no restatement of prior periods.

An adjustment to brought forward retained earnings of £10.2 million has been recognised in the Condensed Consolidated Statement of Changes in Equity, representing the reversal of certain revenue that met the criteria for revenue recognition under previously applicable accounting standards but does not do so under IFRS 15.This also reduced receivables and payables but increased inventory as at 1 November 2016.

The impact of adoption in the period to 30 April 2017 can be seen below and arises from revenue recognised in prior periods which would instead have been deferred to the current period under IFRS 15.

£m	Pre IFRS 15	IFRS 15 adjustment	As reported
Continuing operations			
Revenue	235.3	14.3	249.6
Operating profit	13.1	4.1	17.2
Finance expense	(5.9)	-	(5.9)
Profit before tax	7.20	4.1	11.3
Tax charge	(1.5)	(0.9)	(2.4)
Profit after tax	**5.7**	**3.2**	**8.9**

In addition, a number of transactions, with a broadly equivalent operating profit impact, will now be recognised in the second half of 2017 that could have previously been recognised in the first half. This timing difference is expected to recur at each reporting period end, albeit at a different quantum.

The adoption of IFRS 15 had the effect of increasing operating profit by £0.7 million in Countermeasures, increasing revenue by £1.0 million and operating profit by £0.5 million in Sensors and increasing revenue by £13.3 million and operating profit by £2.9 million in Energetics.

The affected contracts are a combination of contracts for the provision of products. The significant risks and rewards of ownership had transferred but there remained an element of control, typically an undertaking to arrange elements of shipping on behalf of the customer, and hence the timing of revenue recognition is later under IFRS 15.

Under IFRS 15 revenue is recognised on the basis of completion of performance obligations. This is typically determined through a consideration of customer acceptance testing, contract terms arrangements. Typical payment terms may include an initial deposit, with further receipts based on acceptance and delivery in accordance with the contract.

Page Group plc

Page Group provides recruitment services across three brands and levels; Page Executive (executive recruitment), Michael Page (qualified professional level) and Page Professional (clerical level).

What we liked: Page Group anticipates applying IFRS 15 from the relevant transition date, utilising the full retrospective approach. The disclosure presented discusses each revenue stream individually, stating the current revenue recognition policy and how this will change under IFRS 15. Page Group also provides an estimate for the quantum of potential transition adjustments for each revenue stream. From the disclosure, it appears that the Group has been proactive in preparing for IFRS 15; looking to implement new systems, controls and processes to ensure compliance with the Standard.

The Company specialises in the recruitment of qualified professionals across various disciplines.

IFRS 15

IFRS 15 was issued in May 2014 and establishes a 5-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. It is the Group's current plan to adopt the new standard on the required effective date using the full retrospective method.

The Group is in the business of providing recruitment services. IFRS 15 requires revenue to be recognised once value has been received by the customer and when the performance obligations have been satisfied. IFRS 15 also prohibits the recognition of up-front fees.

During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. As a result of this preliminary assessment we do not expect any adjustment to be material being less than £1 million. Further detail is included below.

In preparing to transition to IFRS 15, the Group is considering the following:

Revenue earned on a contingent basis (c. 26% of revenue)

Currently revenue recognised from permanent placements on a contingent basis is typically based on a percentage of the candidate's remuneration package, this income being recognised at the date an offer is accepted by a candidate and where a start date has been determined. It includes revenue anticipated, but not invoiced, at the balance sheet date, which is correspondingly accrued on the balance sheet within accrued income. A provision is made against accrued income for possible cancellations of placements prior to, or shortly after, the commencement of employment. Our current view is that this basis of revenue recognition remains appropriate as our only performance obligation (the placement of the candidate) has been performed. We therefore do not expect any adjustment as a result of the transition to IFRS 15 of revenue earned on a contingent basis.

Revenue earned on a retained basis (c. 9% of revenue)

Currently revenue recognised from permanent placements on a retained basis is typically based on a percentage of candidate's remuneration package, this income being recognised on the completion of defined stages of work. The defined stages are 'Retainer', 'Shortlist' and 'Completion'.

One area of contention is around the first stage, retainer revenue. As IFRS 15 effectively prohibits the recognition of upfront fees as revenue, we need to be able to demonstrate that the client gets an element of value from this initial stage and if so, how much. As the client receives a retainer pack, information on the market, salary levels, potential candidate requirements, and production of job specifications at this first stage, there is therefore clearly an element of value. The value received by the client in the latter two stages also needs to be defined and this, combined with the value received at the first stage, will determine the percentage of revenue which should be recognised in each of the three stages.

It is therefore possible that the percentage of revenue recognised at each stage will differ following transition to IFRS 15. However, bearing in mind the relatively low percentage or retained revenue as a proportion of total revenue, combined with the adjustment only being required to retained revenue earned in the last few weeks of the year having to be deferred or anticipated (in turn offset by revenue coming into the start of the year being deferred or anticipated from an earlier period), we do not expect any adjustment to be material with our current estimate being less than £1 million.

Temporary revenue (c. 60% of revenue)

Revenue from temporary placements, which represents amounts billed for the services of temporary staff, including the salary cost of these staff is recognised when the service has been provided. We do not anticipate any change as a result of the transition to IFRS 15 for revenue earned from temporary placements.

Other revenue (c.5% of revenue)

Other revenue earned, principally advertising revenue representing amounts billed to clients for expenses incurred on their behalf, is recognised when the expense is incurred. We do not anticipate any change as a result of the transition to IFRS 15 for revenue earned from temporary placements.

Presentation and disclosure requirements

IFRS 15 also provides presentation and disclosure requirements, which are more detailed than under current IFRS and may result in an increase in the volume of disclosures required in the Group's financial statements. IFRS requires an entity to provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group has already commenced a review of the required disclosures, appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

Rolls Royce plc

Rolls Royce looks to pioneer cutting edge technologies that deliver the cleanest, safest and most competitive solution to meet the planet's power needs.

Its key five businesses are: Civil Aerospace, a major manufacturer of aero engines; Defence Aerospace, manufacturer for military transport and patrol aircraft; Power Systems, providing high speed reciprocating engines, propulsions systems and energy solutions; Marine, manufacturing and servicing propulsion and handling solutions; and Nuclear, managing plant design, safety, manufacture and support.

What we liked: These extensive disclosures explain the key areas of judgement and where the significant estimates arise in assessing the impact of IFRS 15. The segmental information has then been restated to reflect this impact of IFRS 15 in a separate note within the financial statements.

IFRS 15

IFRS 15 provides a single, principles based 5-step model to be applied to all sales contracts. It is based on the transfer of control of goods and service to customers and replaces the separate models for goods, services and construction contracts currently included in IAS 11 **Construction Contracts** and IAS 18 **Revenue**. There are three broad implications:

1. linked accounting will cease to exist so all OE sales will be treated on the same basis
2. OE engine cash deficits will no longer be capitalised and recorded as contractual aftermarket rights, they will instead be recognised on delivery
3. revenue and profits for aftermarket services will be recognised on an activity basis as costs are incurred.

The Group will adopt IFRS 15 on 1 January 2018 using the 'full' retrospective approach. The Group has undertaken significant analysis on the impact of IFRS 15 and the most significant accounting judgements, estimates and policies are set out below. Work will continue during 2018 to review and refine policies and procedures required to implement IFRS 15. As a result it is possible that there may be some changes to the impact reported.

Key areas of judgement:

Determining the timing of satisfaction of performance obligations:

- Where the performance obligation is the supply of goods (principally OE and spare parts) which is satisfied at the point in time that those goods are transferred to the customer, the Group will recognise revenue at that point in time
- The Group generates a significant proportion of its revenue and profit from aftermarket arrangements arising from the use of the installed OE. These aftermarket contracts, such as TotalCare and CorporateCare agreements in Civil Aerospace, cover a range of services and generally have contractual terms covering more than one year. Under these contracts, the Group's primary obligation is to maintain customers' equipment in an operational condition and this is achieved by undertaking various activities, such as repair, overhaul and engine monitoring over the period of the contract. Revenue on these contracts is recognised over the period of the contract and the measure of performance is a matter of judgement. In general, the Directors consider that the stage of performance of the contract is best measured by using the actual costs incurred to date compared to the estimated costs to complete the performance obligations
- The assessment of stage of completion is generally measured for each contract. However, in certain cases, such as for CorporateCare agreements where there are many contracts covering aftermarket services, each for a small number of engines, the Group will apply the practical expedient offered by IFRS 15 to account for a portfolio of contracts together as it expects that the effects on the Financial Statements would not differ materially from applying the standard to the individual contracts in the portfolio

The Group has paid participation fees to airframe manufacturers, its customers for OE on certain programmes. Amounts paid are initially treated as contract assets and subsequently charged as a reduction to the OE revenue when it is transferred to the customer. The number of units over which the assets will be charged is a matter of judgement as the orders will grow over the course of the programme.

In assessing the accounting for participation fee payments we make to our OE customers, we have also assessed the accounting for up-front payments we sometimes receive from the Group's suppliers under RRSAs to allow them to participate in an engine programme. We have concluded that, consistent with changes to how we will account for participation fees noted above, these receipts should be deferred and recognised against cost of sales over the period of supply. This will also require judgement as to the number of units over which the receipts will be allocated.

The Group has elected to use the practical expedient to expense as incurred any incremental costs of obtaining or fulfilling a contract if the amortisation period of an asset created would have been one year or less.

Key sources of estimation uncertainty

Assessment of long-term contractual arrangements:

- The estimated revenue and costs under such agreements are inherently imprecise and significant estimates are required to take into account uncertainties relating to: (i) the forecast utilisation of the engines by the operator and related pricing; (ii) the frequency of engine overhauls where the principal variables are the operating parameters of the engine and operational lives of components; and (iii) the forecast costs to maintain the engines in accordance with the contractual requirement where the cost of each overhaul is dependent on the required work-scope and the cost of parts and labour at the time
- An allowance is made against the risk of non-recovery of resulting contract balances from reduced utilisation eg engine flying hours, based on historical forecasting experience, the risk of aircraft being parked by the customer and the customer's creditworthiness
- A significant amount of revenue and cost is denominated in currencies other than that of the relevant Group undertaking. These are translated at estimated long-term exchange rates

Significant accounting policies:

Revenue recognition comprises sales to outside customers after discounts and amounts payable to customers and excludes value added taxes. The Group has elected to use the practical expedient not to adjust revenue for the effect of financing components where the expectation is that the period between the transfer of goods and services to customers and the receipt of payment is less than a year.

Sales of services are recognised by reference to the progress towards complete satisfaction of the performance obligation providing the outcome of contracts can be assessed with reasonable certainty. Full provision is made for any estimated losses to completion of contracts, having regard to the overall substance of the arrangements.

TotalCare and similar long-term aftermarket service arrangements are accounted for on a stage of completion basis. A contract liability will be created where payment is received ahead of the costs incurred to meet performance obligations. In making the assessment of future revenue, costs and the level of profit recognised, the Group takes account of the inherent uncertainties and the risk of non-recovery or any resulting contract balances. To the extent that actual revenue and costs differ from forecast or that forecasts change, the cumulative impact is recognised in the period. When accounting for a portfolio of long-term service arrangements, such as CorporateCare agreements, the Group uses estimates and assumptions that reflect the size and composition of the portfolio. The new standard has no impact on the timing of the reported cash flows.

The comparative 2017 results to be included in the 2018 Financial Statements will be restated. Certain tables from the accounts, have been prepared on the IFRS 15 basis set out above and are shown below. Overall, the adoption of IFRS 15 is expected to result in a reduction in 2017 underlying revenue and operating profit of £1,408 million and £854 million respectively and a reduction of net assets of £5.2 billion at 31 December 2017.

Impact of IFRS 15

The segmental analysis shown in the accounts would have been as follows if prepared under IFRS 15 polices set out above:

	Civil Aerospace £m	Defence Aerospace £m	Power Systems £m	Marine £m	Nuclear £m	Inter-segment £m	Total reportable segments £m
Year ended 31 December 2017							
Underlying revenue from sale of original equipment	2,862	911	1,825	539	377	(27)	6,487
Underlying revenue from sale of aftermarket services	3,671	1,287	896	476	430	(37)	6,723
Total underlying revenue at 2016 exchange rates	6,533	2,198	2,721	1,015	807	(64)	13,210
Translation to 2017 exchange rates	80	84	198	60	11	(5)	428
Total underlying revenue at 2017 exchange rates	6,613	2,282	2,919	1,075	818	(69)	13,638
Gross profit	350	551	786	213	131	–	2,031
Commercial and administrative costs	(370)	(126)	(310)	(193)	(71)	–	(1,070)
Research and development costs	(442)	(77)	(165)	(44)	(23)	–	(751)
Share of results of joint ventures and associates	109	7	(3)	–	–	–	113
Underlying operating profit/(loss) at 2016 exchange rates	(353)	355	308	(24)	37	–	323
Translation to 2017 exchange rates	23	15	23	(2)	1	–	60
Underlying operating profit/(loss) at 2017 exchange rates	(330)	370	331	(26)	38	–	383
2017 accounting policies							
Total underlying revenue	8,023	2,275	2,923	1,077	818	(70)	15,046
Underlying operating profit	520	374	330	(25)	38	–	1,237

Reconciliation to reported results

	Total reportable segments £m	Other businesses and corporate £m	Total underlying £m	Underlying adjustments and foreign exchange £m	Group at actual exchange rates £m	Group at actual exchange rates – 2017 accounting policies £m
Year ended 31 December 2017						
Revenue from sale of original equipment	6,487	22	6,509	771	7,280	8,090
Revenue from aftermarket services	6,723	20	6,743	775	7,518	8,217
Total revenue at 2016 exchange rates	**13,210**	**42**	**13,252**	**1,546**	**14,798**	**16,307**
Translation to 2017 exchange rates	428	2	430	(430)	–	–
Total revenue at 2017 exchange rates	**13,638**	**44**	**13,682**	**1,116**	**14,798**	**16,307**
Gross profit	2,031	4	2,035	244	2,279	3,173
Commercial and administrative costs	(1,070)	(54)	(1,124)	(98)	(1,222)	(1,222)
Research and development costs	(751)	–	(751)	(83)	(834)	(795)
Share of results of joint ventures and associates	113	(10)	103	29	132	131
Operating profit/(loss) at 2016 exchange rates	**323**	**(60)**	**263**	**92**	**355**	**1,287**
Translation to 2017 exchange rates	60	(2)	58	(58)	–	–
Operating profit/(loss) at 2017 exchange rates	**383**	**(62)**	**321**	**34**	**355**	**1,287**
Gains arising on the acquisition of ITP Aero	–	–	–	798	798	798
Profit/(loss) before financing and taxation	**383**	**(62)**	**321**	**832**	**1,153**	**2,085**
Net financing		(112)	(112)	2,966	2,854	2,812
Profit/(loss) before taxation		**(174)**	**209**	**3,798**	**4,007**	**4,897**
Taxation		(166)	(166)	(381)	(547)	(689)
Profit for the year			**43**	**3,417**	**3,460**	**4,208**

Underlying adjustments

	2017			
	Revenue £m	Profit before financing £m	Net financing £m	Taxation £m
Underlying performance	13,682	321	(112)	(166)
Revenue recognised at exchange rate on date of transaction	1,116	–	–	–
Realised (gains)/losses on settled derivative contracts	–	453	195	(111)
Net unrealised fair value changes to derivative contracts	–	24	2,648	(463)
Effect of currency on contract accounting	–	(180)	–	21
Revaluation of trading assets and liabilities	–	(6)	113	(12)
Financial RRSAs – foreign exchange differences and changes in forecast payments	–	–	11	(3)
Effect of acquisition accounting	–	-129	–	35
Impairment of assets	–	-12	–	–
Net post-retirement scheme financing	–	–	1	(1)
Exceptional restructuring	–	(104)	–	31
Gains arising on the acquisition of ITP Aero	–	798	–	–
Consolidation of previously non-consolidated subsidiary	–	(12)	–	–
Other	–	–	(2)	9
Recognition of advance corporation tax	–	–	–	163
Reduction in corporate tax rates	–	–	–	(50)
Total underlying adjustments	**1,116**	**832**	**2,966**	**(381)**
Reported per consolidated income statement	**14,798**	**1,153**	**2,854**	**(547)**

As processes and procedures are further embedded during 2018, it is possible that some changes to the information above may result.

IHG plc

IHG is a British multinational hotels Group with a broad portfolio of brands, including Candlewood Suites, Crowne Plaza, Holiday Inn, Staybridge Suites and InterContinental.

It has nearly 800,000 guest rooms and more than 5,300 hotels across nearly 100 countries.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduces a new 5-step approach to measuring and recognising revenue from contracts with customers and will be adopted by the Group with effect from 1 January 2018. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. Management's assessment of the impact of IFRS 15 is substantially complete and a summary of the main changes and impacts on IHG are as follows:

1 Employee cost reimbursements

Under IFRS 15, the provision of employees to managed hotels is not considered to be a service that is distinct from general hotel management service. Reimbursements for the costs of IHG employees working in managed hotels will therefore be shown as revenue with an equal matching cost, with no profit impact. Under current accounting, no revenue or matching cost is recognised.

2 Initial franchise and re-licensing fees

Under current accounting, application and re-licensing fees are recognised as revenue when billed as the monies received are not refundable and IHG has no further obligations to satisfy. Under IFRS 15, there is a requirement to consider whether the payment of these fees transfers a good or service to the customer that is distinct from the promise to provided franchise services. As this is not the case, IFRS 15 requires initial franchise and re-licensing fees to be recognised as franchise services are provided, over the life of the related contract. The spreading of these fees will result in an initial reduction to revenue and operating profit, and the recognition of deferred revenue and operating profit, and the recognition of deferred revenue on the balance sheet, reflecting the profile of increased amounts received in recent years.

What we liked: IHG plc is anticipating one of the largest adjustments (proportionately) in the transition to IFRS 15 noted in our review, disclosing an increase of 60% of revenue. For each revenue stream, IHG has disclosed the current revenue recognition policy and what the new policy will be under IFRS 15. It then details the impact of these changes on both revenue and operating profit, presenting these adjustments clearly in a separate table.
The prior year's analysis has been further expanded upon and the expected impact quantified, and while overall the impact of profits is not particularly significant it appears that grossing up of revenue and costs will result in a $1 billion overall increase in revenues. The IHG rewards loyalty scheme has presented a number of complexities to be considered.

3 Contract acquisition costs

Contract acquisition costs related to securing management and franchise contracts are currently charged to the income statement as incurred. Under IFRS 15, certain costs qualify to be capitalised as the cost of obtaining a contract and are amortised over the initial term of the related contract. This change results in an increase to operating profit and the capitalisation of contract costs on the balance sheet.

4 Amounts paid to hotel owners to secure management contracts and franchise agreements ('Key money')

Under current accounting, key money payments are capitalised as intangible assets and amortised over the life of the related contracts. Under IFRS 15, these payments are treated as consideration payable to a customer and therefore recognised as a deduction to revenue over the contract term. This change will result in a reduction to revenue, no change to operating profit, and the reclassification or key money on the balance sheet from intangible assets to contract assets.

5 Owned hotel disposals subject to a management contract

Under current accounting, when hotels are sold and the Group retains management of the hotel, the consideration recognised includes both the cash received and the fair value of the management contract which is capitalised as an intangible asset and subsequently amortised to the income statement. This accounting is governed by the 'exchange of assets' criteria included in IAS 16 **Property, Plant and Equipment** and IAS 38 **Intangible Assets.** IFRS 15 specifically includes property sales in its scope and results in the sales consideration being recorded at the fair value of the encumbered hotel, which generally will be equivalent to the cash received. This change will result in the derecognition of historic intangible asset balances and a lower amortisation charge in the income statement.

6 System Fund revenues and expenses

The Group operates a System Fund (the Fund) to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the guest reservation systems and hotel loyalty programme. The Fund also receives proceeds from the sale of loyalty points under third-party co-branding arrangements. The Fund is planned to break even and is managed for the benefit of hotels in the System with the objective of driving revenues for the hotels. Under current accounting, these receipts and expenses are not recorded in the Group income statement.

Under IFRS 15, an entity is regarded as a principal if it controls a service prior to transfer to the customer. As marketing and reservations expenses primarily comprise payroll and marketing costs incurred under contracts entered into by the Group, management have determined that the Group controls these services. Fund revenues and expenses will therefore be recognised on a gross basis in the Group income statement. Assessment fees from hotel owners are generally levied as a percentage of hotel revenues and will be recognised as these hotel revenues occur.

In respect of the loyalty programme, the Group has determined that the related performance obligation is not satisfied in full until the member has redeemed the points at a participating hotel. Accordingly, revenue related to loyalty points earned by members or sold under co-branding arrangements will be deferred in an amount that reflects the stand-alone selling price of the future benefit to the member. As materially all of the points will be redeemed at IHG managed or franchised hotels owned by third parties, IHG is deemed to be acting as agent on redemption and will therefore recognise the related revenue net of the cost of reimbursing the hotel that is providing the hotel stay. The deferred revenue balance under IFRS 15 will be significantly higher than the points redemption cost liability that is recognised under current accounting resulting in an increase in the Group's net liabilities.

Management has also determined that in addition to the performance obligation for the redemption of points, co-branding arrangements contain other performance obligations including marketing services and the right to access the loyalty programme. Revenue attributable to the stand-alone selling price of these additional services is recognised over the term of the co-branding arrangement.

Certain travel agency commission revenues within the Fund will continue to be recognised on a net basis, where it has been determined that IHG acts as agent under IFRS 15.

7 System Fund surplus or deficit

Under current accounting, the Fund surplus or deficit is carried forward on the Group statement of financial position. Under IFRS 15, the Fund surplus or deficit will be recognised in the Group income statement. Both the current accounting treatment and the change on applying IFRS 15, and the equivalent US GAAP standard, are consistent with current and expected future practice across the hotel industry. The Fund surplus of $158 million at 31 December 2017 will be derecognised resulting in a reduction in the Group's net liabilities.

The changes detailed in 6 and 7 above will result in an increase in recorded revenue and reduction in operation profit in 2017.

8 Presentation and disclosure

The presentation and disclosure requirements of IFRS 15 represent a significant change from current practice and will increase the volume of disclosures required in the notes to the financial statements.

9 Quantification of impacts

The Group will apply the full retrospective approach when transitioning to the new standard which will result in restated comparatives on the basis that IFRS 15 had always applied. The estimated impacts of adjustments 1 to 5 on the 2017 results are as follows:

Impact	Group revenue $m	Group operating profit $m	Group net liabilities $m
1. Employee cost reimbursements	1,103	-	-
2. Initial franchise and re-licensing fees	(14)	(14)	(111)
3. Contract acquisition costs	-	5	43
4. Key money	(17)	-	-
5. Derecognition of management contracts	-	8	(192)
Other	2	-	1
	1,074	**(1)**	**(259)**

The impact of deferring revenue in relation to the loyalty programme and recognising System Fund revenues and expenses in the Group income statement (items 6 and 7) is expected to increase Group revenue by an additional $1.2bn. The impact on Group operating profit and Group net liabilities is still being assessed. The Group has an agreement with the IHG Owners Association to spend Fund income for the benefit of hotels in the IHG System such that the Group does not make a profit or loss from operating the Fund over the medium term.

Orange S.A.

Orange provides consumers, businesses and other telecommunications operators with a wide range of services, including fixed telephony and mobile telecommunications, data transmission and other value-added services, mainly in Europe, Africa and the Middle East.

The group is also developing its activity in the mobile financial services (Orange Money in Africa, Orange Finanse in Poland, Orange Cash in France and Spain, and Orange Bank in France). Telecommunications operator activities are regulated and dependent upon the granting of licenses, just as mobile financial service activities have their own regulations.

IFRS 15

IFRS 15 implementation has been subject to a dedicated project within the Group. Work completion confirms the expected effects of IFRS 15 first application. The effects on the Group's accounts primarily relate to the mobile phone market in France and in Europe and notably to:

- The accounting for arrangements which bundle the sale of a handset sold with a discounted price and with customer subscription to a communication service for a defined period of time: the cumulative revenue will not change but the allocation between the handset sold and the communication service will change (higher equipment revenues, with the exact same decrease in service revenues)
- The accelerated recognition of revenues, when the equipment is sold, offset from the supply of the service during the enforceable period, will lead to the recognition of a contract asset in the statement of financial position which will be settled against an asset receivable as the communication service is provided
- The accounting treatment of non-monetary transactions between telecom operators
- Some incremental subscriber acquisition and retention costs (ie payments to retailers directly attributable to the contract, excluding subsidies) will be recognized over the duration of the contractual relationship.

The Group also paid particular attention to the concepts specified or introduced by IFRS 15 which will not change the principles currently applied:

- Gross or net revenue recognition depending on whether the Group acts as principal or as agent
- The accounting treatment of material rights granted to customers under contracts in which the Group provides the customer additional optional goods or services
- The timing of revenue recognition related to services of which the Group operates in the build and run of IT platforms.

The Group will retrospectively apply IFRS 15 on January 1, 2016 which means the restatement of 2016 and 2017 reported comparative periods. Based on evaluations carried out arrangement by arrangement, IFRS 15 first application will increase the net equity as of January 1, 2016 by approximately 0.8 billion euros which mainly results from the recognition of contract assets.

What we liked: Orange has not provided a significant amount of detail in their IAS 8 disclosures in their financial statements and have only quantified the impact to opening reserves. However, they have published a separate report that discusses the impact IFRS 15 will have. This separate report presents the impact of IFRS 15 in diagrammatic format, highlighting the key changes particularly in the areas of Equipment and Service Revenue, Customer Investment and Contract costs and summarizing this for each division; Retail, Business-to-business and Wholesale. They then discuss how the disclosures required under IFRS 15 will change, and the KPIs that will be affected by the transition. Financial information for the changes is then also presented, showing how revenue, EBITDA, Capex and cash flows will change. Their report can be located on their corporate website.

Gamma Communications plc

Gamma Communications supply a broad range of communications to small, medium and large-sized business customers, the public sector and not-for-profit organisations, both through their network of Channel Partners and directly.

Almost 80% of revenues are generated by an extensive network of 1089 channel partners. Products include fixed telephony, IP telephone, hosted phone systems, broadband and data connections, mobile services, security and unified communications solutions.

What we liked: Gamma set out a comprehensive analysis which compares for each revenue stream their current policy versus the requirements under IFRS 15, explains the four adjustments identified and presents a reconciliation of both the Statement of Comprehensive Income and Statement of Financial Position for 2017.

	Existing Accounting Policy	Policy to be applied from 1 January 2018
Revenue	Revenue represents the fair value of the consideration received or receivable for communication services and equipment sales, net of discounts and sales taxes. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated costs can be measured reliably. The Group sells a number of communications products (both traditional and growth) each of which typically consists of all or some of four main types of revenue – voice and data traffic, a subscription or rental, equipment sales and installation fees. Revenue for each element of the sale of the product is recognised as described below. To the extent that invoices are raised to a different pattern than the revenue recognition described below, appropriate adjustments are made through deferred and accrued income to account for revenue when the underlying service has been performed or goods have transferred to the customer.	Revenue represents the fair value of the consideration received or receivable for communication services and equipment sales, net of discounts and sales taxes. Revenue is recognised when the Group has fulfilled its performance obligations under the relevant customer contract. The Group sells a number of communications products (both traditional and growth) each of which typically consists of all or some of four main types of revenue – voice and data traffic, a subscription or rental, equipment sales and installation fees. Revenue for each element of the sale of the product is recognised as described below. To the extent that invoices are raised to a different pattern than the revenue recognition described below, appropriate adjustments are made through deferred and accrued income to account for revenue when the performance obligations have been met.
Revenue – Voice and data traffic	Revenue from traffic is recognised at the time the call is made or data is transferred. Revenue arising from the interconnection of voice and data traffic between other telecommunications' operators is recognised at the time of transit across the Group's network.	No change to existing policy
Revenue – Subscriptions and rentals	Revenue from the rental of analogue and digital lines is recognised evenly over the period to which the charges relate. Subscription fees, consisting primarily of monthly charges for access to Ethernet, broadband, hosted IP services and other internet access or voice services, are recognised as revenue as the service is provided. A small minority of sales are made under an 'up front' model whereby a channel partner buys a right to use a service. There are further subscription charges to pay if the service is used. The amount paid is known, non-refundable and there are no further costs to be incurred to provide the right to the channel partner and therefore the amount is recognised at the point the channel partner commits to making this model for the service (which is via a portal order).	Revenue from the rental of analogue and digital lines is recognised evenly over the period to which the charges relate. Subscription fees, consisting primarily of monthly charges for access to Ethernet, broadband, hosted IP services and other internet access or voice services, are recognised as revenue as the service is provided. A small minority of sales of the Cloud PBX product are made under an 'up front' model whereby a channel partner buys a right to use a service for an unspecified period of time into the future. This is treated as an option to obtain future services at a discount and the revenue is taken equally over the estimated future period of usage of that service. See adjustment (a).

	Existing Accounting Policy	Policy to be applied from 1 January 2018
Revenue – Equipment sales	Revenue from the sale of peripheral and other equipment is recognised when all significant risks and rewards of the ownership are transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer.	Revenue from the sale of peripheral and other equipment is recognised when the control of the asset has transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer.
Assets – Customer Premises Equipment	Assets which are supplied to customers as part of a service (for example, a broadband router or a telephone handset), known as Customer Premises Equipment, are capitalised and depreciated over the expected period of the provision of that service.	Assets which are supplied to customers as part of a service (for example a broadband router or a telephone handset), known as Customer Premises Equipment, and which are capable of use independently of that service are treated as having been sold to the customer. See adjustment (b). At the inception of the service when the CPE is shipped the cost of the asset is taken to cost of sales and revenue is accrued to recognise the sale at a margin typical on sales of that product. A contract asset balance is created in respect of the accrued revenue and this is released and amortised over the length of the contract which results in lower ongoing service revenues.
Revenue – Installations	Revenue arising from installation and connection services is recognised when it is earned, upon activation.	Where an installation is not capable of being separated out from an ongoing service contract (ie the installation has no standalone value to the customer), revenue will be allocated to the initial equipment sale (if any) and the ongoing service revenues. The latter element will result in a contract liability which will be released amortised over the length of the contract with the effect that ongoing service charges are increased. Costs related to installations are similarly capitalised and released in line with the release of the corresponding revenues. See adjustment (c).
Commission payments to sales staff	In our direct business, when a member of the sales team is responsible for winning a multi-year contract they will receive commission. This is expensed at the time it is paid.	Commission payments to sales staff are capitalised and released over the length of the contract to which they relate. See adjustment (d).

Based on the above changes in accounting policy which will be applied from 1 January 2018, the Group has restated its 2017 results for the changes in policies required by IFRS 15. These are shown below and will form the comparative figures to the 2018 results.

These are four adjustments derived from the change in accounting policies:

- **Adjustment (a)** has the effect of removing ‘up-front’ Cloud PBX subscriptions which were previously recognised on purchase. These are now capitalised and amortised over the period for which a customer is expected to use the service
- **Adjustment (b)** has the effect of removing assets which were supplied as part of a service from the fixed asset register and instead recognising these as a sale at the point of delivery to the customer. There is a corresponding reduction in ongoing service revenues
- **Adjustment (c)** has the effect of spreading installation over the length of the contract
- **Adjustment (d)** has the effect of spreading the cost of commissions in the direct business over the length of the contract to which they relate

The below table shows the effect of the four adjustments on the consolidated statement of comprehensive income for the year ended 31 December 2017.

The combined effect of the four adjustments is to reduce EBITDA and adjusted EBITDA by £2.8 million. Both EPS and adjusted EPS have increased by 0.1p.

Impact on Consolidated Statement of Comprehensive income of IFRS 15

	2017 Under previous accounting policies £m	Cloud PBX adjustment (a)	Customer premises equipment adjustment (b)	Installations adjustment (c)	Sales commissions adjustment (d)	2017 Restated amount under IFRS 15 £m
Revenue	**238.4**	**(1.1)**	**7.4**	**(1.8)**	**-**	**242.9**
Cost of sales	(125.4)	2.5	(11.6)	1.1	-	(133.4)
Gross profit	113.0	1.4	(4.2)	(0.7)	-	109.5
Operating expenses	(86.8)	(1.9)	4.8	-	0.7	(83.2)
Operating profit before share based payment expense, depreciation and amortisation and gain on disposal of property, plant and equipment	**41.6**	**1.4**	**(4.2)**	**(0.7)**	**0.7**	**38.8**
Share based payment expense	(2.0)	-	-	-	-	(2.0)
Operating profit before depreciation, amortisation and gain on disposal of property, plant and equipment	**39.6**	**1.4**	**(4.2)**	**(0.7)**	**0.7**	**36.8**
Depreciation and amortisation	(14.1)	(1.9)	4.8	-	-	(11.2)
Gain on disposal of property, plant and equipment	0.7	-	-	-	-	0.7
Profit from operations	**26.2**	**(0.5)**	**0.6**	**(0.7)**	**0.7**	**26.3**
Finance income	0.2	-	-	-	-	0.2
Profit before tax	**26.4**	**(0.5)**	**0.6**	**(0.7)**	**0.7**	**26.5**
Tax expense	(3.8)	-	-	-	-	(3.8)
Profit after tax	**22.6**	**(0.5)**	**0.6**	**(0.7)**	**0.7**	**22.7**
Total comprehensive income attributable to the owner of the parent	**22.6**	**(0.5)**	**0.6**	**(0.7)**	**0.7**	**22.7**
Earnings per share						
Basic per Ordinary Share (pence)	24.4	(0.5)	0.6	(0.8)	0.8	24.5
Diluted per Ordinary Share (pence)	23.9	(0.5)	0.6	(0.7)	0.7	24.0

Impact on Consolidated Statement of Financial Position of IFRS 15

The below table shows the effect of the same four adjustments on the consolidated statement of financial position as at 31 December 2017. These will form the comparatives for the 2018 financial statements. The combined effect of the four adjustments is to reduce net assets by £3.5 million.

	2017 Under previous accounting policies £m	Cloud PBX adjustment (a)	Customer premises equipment adjustment (b)	Installations adjustment (c)	Sales commissions adjustment (d)	2017 Restated amount under IFRS 15 £m
Assets						
Non-current assets						
Property, plant and equipment	44.1	-	(16.5)	-	-	27.6
Intangible assets	10.0	5.5	-	-	-	15.5
Deferred tax asset	1.7	-	-	-	-	1.7
	55.8	**5.5**	**(16.5)**	**-**	**-**	**44.8**
Current assets						
Inventories	3.2	-	-	-	-	3.2
Trade and other receivables	50.6	-	18.2	3.1	2.2	74.1
Cash and cash equivalents	31.6	-	-	-	-	31.6
	85.4	**-**	**18.2**	**3.1**	**2.2**	**108.9**
Total assets	**141.2**	**5.5**	**1.7**	**3.1**	**2.2**	**153.7**
Liabilities						
Non-current liabilities						
Provisions	1.8	-	-	-	-	1.8
Deferred tax	-	-	-	-	-	-
	1.8	**-**	**-**	**-**	**-**	**1.8**
Current liabilities						
Trade and other payables	39.8	11.3	-	4.7	-	55.8
Current tax	0.8	-	-	-	-	0.8
	40.6	**11.3**	**-**	**4.7**	**-**	**56.6**
Total liabilities	**42.4**	**11.3**	**-**	**4.7**	**-**	**58.4**
Issued capital and reserves attributable to owners of the parent						
Share capital	0.2	-	-	-	-	0.2
Share premium reserve	3.8	-	-	-	-	3.8
Merger reserve	2.3	-	-	-	-	2.3
Share option reserve	2.8	-	-	-	-	2.8
Own shares	(0.8)	-	-	-	-	(0.8)
Retained earnings	90.5	(5.8)	1.7	(1.6)	2.2	87.0
Total equity	**98.8**	**(5.8)**	**1.7**	**(1.6)**	**2.2**	**95.3**
Total equity and liabilities	**141.2**	**5.5**	**1.7**	**3.1**	**2.2**	**153.7**

Aerospace

Senior plc

Senior designs, manufactures and markets high-technology components and systems for the principal original equipment producers in the worldwide aerospace, defence, land vehicle and energy markets.

The Group expects to apply the modified retrospective transition approach and does not expect the impact to be material. The principal area of difference identified so far is non-cash consideration.

Retrospective application in the comparative year ending 31 December 2017 is optional. The Group expects that it will not take this optional application and will apply the standard from the transitional date using the cumulative effect method. This involves calculating the relevant adjustments required for contracts not completed as at the transition date of 1 January 2018.

An initial impact assessment has been performed by reviewing all contract types across the Group. This assessment highlighted that if the standard were to be applied in 2016, the cumulative impact on adoption would not be material to either the Group's reported revenue or profit before tax. The majority of this required adjustment would relate to contracts in the Aerospace Division where customer contributions of goods may be received to facilitate the Group's fulfilment of the customer contracts. The standard requires such goods to be treated as non-cash consideration and recognised at their fair value in revenue and cost of sales when the performance obligations in the customer contracts are met. This introduces timing differences when comparing to the current recognition. There is no impact on the timing of receipt of cash consideration, which is determined within the underlying customer contracts. The required adjustment expected at the transition date will be impacted by future changes such as customer contract renewals, terminations and modifications, as well as exchange rate fluctuations.

The process of implementation is complex, as all Divisions will be affected and may need to implement new information systems and processes to collect the required information. The Group will continue to monitor the impact until the transition date, providing further quantitative and qualitative measures as progress is made on implementation planning.

BAE Systems plc

BAE Systems is a British multinational defence, security and aerospace company headquartered in London.

BAE have concluded that for most contracts they will continue to be able to recognise revenues over time. However while they previously recognised revenue on a milestone basis and capitalised WIP in the balance sheet in respect of costs relating to milestones not yet completed, under IFRS 15 they will move to an input (cost) basis for revenue recognition. The narrative outlines further areas of difference and provides reconciliations of the income statement, net assets, and comprehensive income for 2017 as adjusted for IFRS 15.

It is amongst the world's largest defence companies. BAE Systems plays a significant role in the production of military equipment, with a large majority of their sales being military related. It plays important roles in the production of military aircraft, land and armaments and naval projects.

Impact of IFRS 15

Revenue Recognition

- Revenue on the majority of contracts, currently being recognised based on the completion of milestones or deliveries, will cumulatively be recognised earlier

Under IAS 11, revenue under long-term contracts is recognised when a separately identifiable phase (milestone) has been completed. Under IAS 18, revenue from the sale of goods not under long-term contracts is recognised when the significant risks and rewards of ownership have been transferred to the customer, for example, upon delivery.

The Group has determined that the performance obligations identified in the majority of its contracts will satisfy the criteria in IFRS 15 for recognition over time rather than at a point in time. In order to qualify for revenue recognition over time, the Group's performance must not create assets with alternative uses and it must have an enforceable right to payment for performance completed to date. The majority of the Group's products are designed and/or manufactured under contract to the customer's individual specifications. The Group is, therefore, limited in its ability to sell its products to alternative customers due to the substantial rework costs involved.

Under IAS 11, the recognition of revenue over time based on milestones gives rise to work-in-progress in respect of costs expended in pursuit of milestones which have not been completed at the balance sheet date. Under IFRS 15, it is not deemed appropriate to recognise significant work-in-progress as an asset on the Group's balance sheet when revenue is recognised over time as the Standard considers the control of the work-in-progress to have been transferred to the customer. Consequently, under IFRS 15, the Group will recognise revenue based on costs incurred reflecting the continuous transfer of the benefit of the Group's performance to the customer.

The adoption of IFRS 15 will not impact contracts for the provision of services currently accounted for on the basis of the stage of completion measured on the basis of either direct expenses incurred or labour hours delivered as these have already been determined to meet the criteria for over time recognition.

If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes and the business has the right to payment.

Profit recognition

- Profit on contracts will continue to be recognised progressively as risks have been mitigated or retired
- Profit will be recognised earlier on shorter-term contracts in the Group's US businesses
- On contracts for both development and production in the Group's MDBA joint venture, there will be lower profit recognised during the development phase

On the majority of the Group's contracts, profit is calculated by reference to reliable estimates of contract revenue and costs after making suitable allowances for technical and other risks related to performance milestones yet to be achieved. No profit is recognised until the outcome of a contract can be reliably estimated. Profit is recognised progressively as risks have been mitigated or retired. Forecast losses are recognised immediately in full.

On adoption of IFRS 15, profit on these contracts will continue to be recognised progressively on this basis.

In the Group's Platforms & Services (UK) and Platforms & Services (International) businesses, contracts are typically longer-term in nature than in the Group's other businesses. Whilst the recognition of revenue is accelerated under IFRS 15 as a result of the measure of progress being based on costs incurred, there is less impact on the timing of recognition of profit as, operationally, the next risk retirement point will still not have been achieved on the contract. Conversely, in the Group's US businesses, contracts are typically shorter-term, with cumulative profit to date traded at close to out-turn margin. Accordingly, the acceleration of revenue recognised under IFRS 15 will accelerate profit recognition on the Group's US contracts.

The Group's MDBA joint venture is undertaking a number of significant contracts which include both development and production elements. Under IAS 11, MDBA has previously recognised profit on contracts with both development and production elements at a single blended out-turn profit margin. Under IFRS 15, the development and production elements of the contract represent separate performance obligations, with development satisfied over time and production, typically, satisfied at a point in time. The development activity on these contracts has a lower margin than the subsequent production activity and, therefore, under IFRS 15, less profit is allocated to development, with more allocated to production.

Financing

- No financing (as defined by IFRS 15) in the Group's contracts

IFRS 15 states that the consideration in a contract must be adjusted for the time value of money if the timing of payments either explicitly or implicitly provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer.

In the ordinary course of business, certain of the group's businesses can receive down-payments from customers in advance of the delivery of contracted products and services. Advances are not significant in the Group's US businesses. At 31 December 2017, advances from long-term contract customers totalled £2.9 billion.

The advances received are typically utilised within 12 months of the balance sheet date. As such, the Group can apply the practical expedient in IFRS 15 by which revenue does not have to be adjusted for financing if the period between the down-payment and the recognition of the related revenue is one year or less.

The group also had £1.7 billion and £0.3 billion of progress payments allocated to long-term and short-term work-in-progress, respectively, at 31 December 2017. On transition to IFRS 15, most of this work-in-progress, and associated progress payments, will be recognised as revenue.

Licence revenue

- Some licence revenue in Applied Intelligence originally recognised upfront under IAS 18 will be deferred and recognised over the licence term under IFRS 15.

BAE Systems Applied Intelligence generates revenue from the sale of licences of intellectual property. The licences have varying terms and conditions and can be provided for a fixed term or in perpetuity. Under IAS 18, the Group recognises revenue in respect of software licences in line with the substance of those transactions, either on delivery to the customer or spread over the licence term (typically five years) or, in relation to perpetual licences, over the related customer relationship.

The Group has determined that, under IFRS 15, certain licences that qualified for upfront recognition under IAS 18 in its Applied Intelligence business represent the right to access the Group's intellectual property on the basis the customers have an expectation the Group will provide significant updates to the software during the licence term to ensure its continuing value to the customer. Accordingly, revenue relating to these licences is deferred and recognised over the licence term under IFRS 15 rather than being recognised upfront under IAS 18.

Balance sheet

- Most balance sheet contract work-in-progress replaced with a contract receivable representing accrued revenue, based on costs incurred, and including attributable profit

Under IAS 11, fulfilment costs incurred on the Group's contracts are carried in the balance sheet until the associated revenue is recognised upon achievement of performance milestones. Under IFRS 15, it is not appropriate to recognise significant work-in-progress as an asset on the Group's balance sheet when revenue is recognised over time.

Accordingly, contract work-in-progress, both short term and long-term, is replaced with a contract receivable representing accrued revenue, based on costs incurred, and including attributable profit. Inventories will include fulfilment costs incurred in advance of delivery in respect of contracts with customers which have been determined to fulfil the criteria for point in time revenue recognition, together with products manufactured to stock without contract cover.

Impact on reported results

The Group will adopt IFRS 15 fully retrospectively in accordance with paragraph C3 (a). Provisional comparatives for the year ended 31 December 2017 are shown in the following tables.

34. Adoption of IFRS 15 Revenue form Contracts with Customers continued

Consolidated Income Statement

	Year ended 31 December 2017		
	As previously reported £m	IFRS 15 adjustments £m	Restated on adoption of IFRS 15 £m
Continuing operations			
Sales	19,626	(1,139)	**18,487**
Deduct Share of sales by equity accounted investments	(2,575)	41	**(2,534)**
Add Sales to equity accounted investments	1,271	–	**1,271**
Revenue	**18,322**	**(1,098)**	**17,224**
Operating costs	(17,089)	1,046	**(16,043)**
Other income	131	–	**131**
Group operating profit	**1,364**	**(52)**	**1,312**
Share of results of equity accounted investments	116	(9)	**107**
Underlying EBITA	2,034	(60)	**1,974**
Non-recurring items	(13)	–	**(13)**
EBITA	2,021	-60	**1,961**
Amortisation of intangible assets	(86)	–	**(86)**
Impairment of intangible assets	(384)	–	**(384)**
Financial expense of equity accounted investments	(34)	–	**(34)**
Taxation expense of equity accounted investments	(37)	(1)	**(38)**
Operating profit	1,480	(61)	**1,419**
Financial income	416	–	**416**
Financial expense	(762)	–	**(762)**
Net finance costs	(346)	–	**(346)**
Profit before taxation	1,134	(61)	**1,073**
Taxation expense	(250)	34	**(216)**
Profit for the year	884	(27)	**857**
Attributable to			
Equity shareholders	854	(27)	**827**
Non-controlling interests	30	–	**30**
	884	(27)	**857**
Earnings per share			
Basic earnings per share	26.8p	(0.8)p	**26.0p**
Diluted earnings per share	26.7p	(0.8)p	**25.9p**
Underlying earnings per share[1]	43.5p	(1.4)p	**42.1p**

1. Restated underlying earnings per share excludes an additional £18 million benefit in respect of the impact of US tax reform enacted in December 2017 included in the restated taxation expense above.

Consolidated net assets

The following table shows the effect of adopting IFRS 15 on net assets in the Consolidated balance sheet at 31 December 2016 and 2017:

	£m
Increase in net assets at 31 December 2016	92
Decrease in profit for the year ended 31 December 2017	(27)
Decrease in total other comprehensive income for the year ended 31 December 2017 (net of tax)	(8)
Increase in net assets at 31 December 2017	**57**

	2017 £m	2016[1] £m
Profit for the year	**962**	590
Other comprehensive income		
Items that will not be reclassified to the income statement:		
Remeasurements on retirement benefit schemes	**142**	(56)
Items that may be reclassified to the income statement:		
Amounts charged to hedging reserve	**(2)**	(13)
Total other comprehensive income for the year (net of tax)	**140**	(69)
Total comprehensive income for the year	**1,102**	521

1. Restated to recognise an increase in investments in subsidiary undertakings representing the cost of the Free and Matching elements of the Share Incentive Plan awarded to employees of subsidiary undertakings.

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

	Issued share capital £m	Share premium £m	Other reserves £m	Retained earnings[1] £m	Total equity £m
At 1 January 2016[2]	87	1,249	218	2,209	3,763
Profit for the year[2]	–	–	–	590	590
Total other comprehensive income for the year	–	–	(13)	(56)	(69)
Share-based payments	–	–	–	50	50
Net sale of own shares	–	–	–	3	3
Ordinary share dividends	–	–	–	(670)	(670)
At 31 December 2016[2]	**87**	**1,249**	**205**	**2,126**	**3,667**
Profit for the year	–	–	–	962	962
Total other comprehensive income for the year	–	–	(2)	142	140
Share-based payments	–	–	–	55	55
Net purchase of own shares	–	–	–	(1)	(1)
Ordinary share dividends	–	–	–	(684)	(684)
At 31 December 2017	**87**	**1,249**	**203**	**2,600**	**4,139**

1. The non-distributable portion of retained earnings is £649 million (2016 £604 million).
2. Retained earnings restated to recognise an increase in investments in subsidiary undertakings representing the cost of the Free and Matching elements of the Share Incentive Plan awarded to employees of subsidiary undertakings.

GKN plc

GKN is a British multinational automotive and aerospace components company. It is organised across four divisions; Aerospace, Driveline, Land Systems and Powder Metallurgy.

GKN have provided narrative disclosures which describe the process they have followed to make their impact assessment and discuss a number of areas where differences in revenue recognition are anticipated. No quantification is made in respect of these, although in some instances they do state that the impact is not material.

The Group will adopt IFRS 15 **Revenue from Contracts with Customers** for the year ending 31 December 2018 which changes the way that revenue is recognised and expands disclosure for revenue arrangements with customers. The current intention is to adopt this standard using the modified retrospective approach.

Following disclosures in the 2016 Annual Report and Accounts, significant progress has been made during the year on the Group project which has included: developing policies; engaging external advisers; benchmarking initial findings against market announcements; and running focus groups for the Aerospace and Automotive businesses to inform transition considerations with significant involvement from commercial teams. The largest effort has been on reviewing a significant number of contracts and evaluating the implications of transition to IFRS 15. The contracts subject to review have been targeted based on: output from the impact assessment work to cover specific risk factors; complexity of business models in each division; and ensuring that major customers and geographies have been included.

Nothing significant has come from the incremental work that changes the initial views previously communicated and the majority of more complex areas under the new standard continue to be within the Aerospace business. While the timing of revenue recognition will change, there will be no impact on either timing or quantum of cash flows.

The Group's Executive Committee and Audit Committee have been appraised on the implications of IFRS 15 and the wider organisation has been provided with appropriate training to ensure changes are embedded in normal business activity.

Based on the work completed to date, it is expected that the key financial impacts will be the following. All of these are expected to be within Aerospace, with participation fees also impacting Driveline.

Non-recurring prices

In certain contracts, the 'non-recurring' price, which explicitly compensates the Group for specific aspects of a work package (eg engineering design and development or capital expenditure), is recovered over a specific number of products. This recovery period is often established using expected volumes or milestones at the time of negotiating a framework agreement. However, similar to the price-down scenario noted below, IFRS 15 considers there to be a 'material right' for the customer where they are able to buy future units at a reduced price. Where there is a single performance obligation for delivery of product and recovery period of incremental pricing does not match the life of the programme, material rights have been assessed.

Over time recognition of revenue

Under IFRS 15, it should be assessed whether revenue is recognised at a point in time or over time depending on the contract terms. The vast majority of the Group's revenue will continue to be recognised at the point in time when control has passed, however on specific contracts within Aerospace there is a legal right to compensation for work completed where there is no alternative use for the customer's asset. In these instances revenue would be recognised over time.

Material rights to price downs

Contractual price downs have been identified in a number of contracts and under the new standard the value of any 'material right' for the customer needs to be recognised over the life of the contract on all relevant products sold. IFRS 15 takes a view that where products sold are substantially the same; a relatively consistent allocation of revenue will apply. Where such price-downs are relevant, they will have the impact of deferring some early invoiced revenue to later units sold. For the majority of such arrangements in the Group, price downs are not considered material.

Participation fees

Under IFRS 15 the amortisation of participation fees will need to be recorded as a reduction of revenue over the life of the contract to which it relates. This is a change to current accounting as previously these have been amortised through cost of sales.

Risk and Revenue Sharing Partnership (‘RRSP’) contracts

While RRSP contracts only affect a small number of businesses in the Group, exclusively in the Aerospace division, the implication of the new accounting standard is likely to be most significant on these revenues.

Due to the nature of RRSP contracts, original equipment ‘OE’ products sold to engine manufacturers are deeply discounted with more favourable pricing in the aftermarket phase. Where the Group has a contractual right to aftermarket revenue, IFRS 15 requires that the revenue for the contract to be allocated to the performance conditions based on their stand-alone selling price and be recognised as control is transferred for the performance obligations. This will result in increased margins recognised during the OE phase of contracts through recognition of contract assets (ie unbilled receivables) on the balance sheet. However, revenue allocated to the performance obligations will only be recognised to the point it is probable that there will not be a significant reversal of revenue in the future.

Timing of recognition

Under IFRS 15, revenue should be recognised when control passes rather than the point of transfer for risks and rewards of ownership. This change will not affect the majority of the Group’s sales; however, due to specific arrangements under risk and revenue sharing partnerships it will likely impact certain of those contracts. This change will move the recognition point earlier to despatch from GKN or acceptance at the customer rather than sale of the engine or aeroplane.

BBA Aviation plc

BBA Aviation is a British multinational aviation services company headquartered in London.

BBA explain no material impact is expected although the full quantum will depend on their activities in 2018.

BBA Aviation is organised into three main business groupings; Signature Flight Support, a business offering aircraft handling, refuelling, and passenger amenities for business and general aviation, Engine Repair and Overhaul (ERO), an engine maintenance business and Ontic, an aircraft parts business.

IFRS 15

IFRS 15 addresses the recognition of revenue from customer contracts and impacts on the amounts and timing of the recognition of such revenue. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 **Revenue**. The group will adopt IFRS 15 for the year ending 31 December 2018.

The standard introduces a 5-step approach to revenue recognition – identifying the contract, identifying the performance obligations in the contract, determining the transaction price, allocating that transaction price to the performance obligations and finally recognising the revenue as those performance obligations are satisfied.

The Group recognises revenue from the following major income streams:

Flight Support

- Fuelling and fuel farm management
- Property management
- Ground handling
- Technical services

Aftermarket Services

- Repair and overhaul
- Engine and part sales

An impact assessment has been performed on the likely impact of IFRS 15:

- Within the Aftermarket Services division the methodology presently adopted for revenue recognition under the current standards, IAS 18 **Revenue**, will not materially change under IFRS 15.
- Within the Flight Support division it is also not expected that IFRS 15 will have a material impact due to the nature of the services provided – the cycle from order through to delivery of these services is generally short.

The full impact of adopting IFRS 15 on the Consolidated Financial Statements of the Group will depend on the Group's activities during 2018. The Group has performed a preliminary assessment of the potential impact of adopting IFRS 15 based on the Group's historic trading as at the date of initial application of IFRS 15 (1 January 2018). Management's expectations are that the impact of IFRS 15 on the Group will not be material.

Automotive

Inchcape plc

Inchcape plc is a multinational automotive distribution, retail and services company operating across the globe. It operates in the premium and luxury automotive sectors.

The following revenue streams have been identified as being impacted by the adoption of the new standard:

Inchcape have quantified a £1 million adjustment from the implementation of IFRS 15, with the impact arising as a result of changes to the treatment of warranties, repurchase agreements and payments to customers. Principal vs agent considerations are also relevant.

Area	Current treatment	New treatment under IFRS 15
The provision of extended warranties to customers over and above the OEM warranty where the Group acts as the principal in the supply of the warranty service.	The Group provides an estimate of the cost of fulfilling the future obligation on the sale of the vehicle. The cost of fulfilling the obligations when it arises is then charged against the provision.	A proportion of revenue will be allocated to the extended warranty obligation and deferred to the balance sheet. The revenue will subsequently be recognised over time along with the costs incurred in fulfilling any warranty obligations.
The sale of vehicles which are subject to a buyback commitment and the possibility of the buyback being exercised by the customer is not highly likely as the buyback price set is below the expected market value.	Revenue and profit associated with vehicles sold subject to a buyback commitment are determined and recognised over the period of the commitment.	Revenue is recognised in full when the vehicle is sold. However, an estimate of the value of the buyback payments is deducted from revenue and deferred to the balance sheet. Similarly, an estimate of the value of the vehicles to be returned is deducted from cost of sales and also deferred to the balance sheet.
Payments made by a Distribution business to a dealer in the form of a discount, rebate, credit note or some other form of incentive.	In most cases, these are deducted from revenue.	The new standard clarifies that all transactions that fall within this category should be accounted for as reduction in revenue by the Distributor and not as an expense within cost of sales.
Additional services included in the sale of a vehicle to a customer as part of the total vehicle package (eg free servicing, roadside assistance, fuel coupons etc) where the Group is acting as a principal in the fulfilment of the service at a future date, rather than simply as an agent is selling the additional service and with no continuing obligation.	Various dependent on the conclusions reached with regards to whether the Group is acting as principal or agent. Where the Group is acting as an agent, revenue is recognised in full on the sale of a vehicle. Where the Group is acting as principal, revenue is deferred.	The new standard sets our more comprehensive guidance on principal and agent relationships. Where the Group acts as principal, the value of the additional services should be separately identified, deducted from revenue, recognised as deferred revenue on the balance sheet and subsequently recognised as revenue when the service is provided, or over the period to which the service relates.
		Where the Group acts as an agent, the net amount retained after the deduction of any costs paid to the principal is recognised as revenue. If a product or service is provided free to a customer, then the costs paid to the principal should be deducted from revenue rather than charged to cost of sales.
Vehicle registration and similar fees which are charged to the customer on the sale of a vehicle and which are collected by the Group on behalf of an authority.	In most, but not all, cases these are excluded from revenue.	The new standard sets out more comprehensive guidance on principal and agent relationships. As a consequence of the new guidance, where it is concluded that the Group is acting as an agent of a government in the collection of such fees, the amount of the vehicle registration fee should be excluded from revenue.

The Group estimates that the net impact of applying IFRS 15 to its reported results for the year ended 31 December 2017 would have been a reduction in operating profit of c.£1 million. Management is currently assessing the potential impact of the agency versus principal considerations on certain revenue streams; however these are not expected to have an impact on reported profit.

Building supplies

CRH plc

CRH is an international group of diversified building materials businesses which manufacture and supply a wide range of products for the construction industry – from building foundations to frame and roofing, to fitting out the interior space and improving the exterior environment, on site works and infrastructural projects.

CRH anticipate some changes in timing of revenue recognition as a result of the requirement to identify separate performance obligations in their contracts. Other areas which have been considered but where there is not expected to be significant impact are variable consideration (though they do not discuss the requirement to constrain revenue), warranties, and loss making contracts. The additional disclosure requirements are expected to be onerous. CRH intend to apply the modified transitional approach to implementation, ie recording an adjustment to opening reserves with no restatement of comparatives.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 **Revenue from Contracts with Customers** will replace IAS 18 **Revenue**, IAS 11 **Construction Contracts** and related interpretations. The new standard is applicable from 1 January 2018. IFRS 15 introduces a number of new concepts and requirements and also provides guidance and clarification on existing practice. CRH will adopt IFRS 15 by applying the modified retrospective application.

Throughout 2017, the Group performed a detailed analysis of the impact of IFRS 15; including a review of our contracts and sales arrangements. At this point, we have concluded that there is no material impact arising from transition to IFRS 15. Opening retained earnings for 2018 will not be adjusted as a result.

Revenue derived from sources other than construction contracts will continue to be recognised at a point in time.

Revenue earned in our construction contract businesses will continue to be recognised over time, principally using an input method.

The Group's transition project had the following focus areas:

1 **Variable consideration:** Some contracts with customers offer trade discounts or volume rebates. Our construction contracts can include certain bonuses and other variable consideration clauses. Based on the detailed procedures performed during 2017, a material impact on the recognition of such variable consideration under IFRS 15 has not been identified.

2 **Warranty obligations**: Warranties currently offered by the Group will continue to be accounted for under IAS 37 **Provisions, Contingent Liabilities and Contingent Assets**.

3 **Bundling and unbundling of contracts to determine performance obligations:** The vast majority of our contracts contain just one performance obligation. Within our construction contract businesses, some contracts have been identified as offering two promises to a customer; however the adoption of IFRS 15 will not have a material impact on the recognition of revenue on these contracts.

4 **Loss-making contracts:** Loss-making contracts will now be accounted for under IAS 37 rather than under IAS 11. This will not have an impact on revenue recognition at transition.

5 **Principal vs agent considerations:** We examined whether any revenue might be deemed to be more appropriately recorded on an agency or net basis, rather than on a gross basis, under IFRS 15 and determined that no material impact on the Group's revenue arose.

6 **Disclosure requirements:** IFRS 15 disclosure requirements are more detailed than under current IFRS. The Group is in the process of finalising the disclosures required to be reported in 2018.

Kingspan plc

Kingspan is a building material company based in Ireland. Its operating units include; Insulated Panels and Facades, Insulation, Access Floors, Environmental, Solar & Renewables, Light & Air.

Kingspan have made minimal disclosures and do not expect a significant impact from implementing the Standard.

IFRS 15 **Revenue from Contracts with Customers** will replace IAS 18, IAS 11, and other related interpretations with effect from 1 January 2018. The standard deals with revenue recognition and establishes principles for reporting of the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. From a review of this standard, it is not expected to have a significant impact on the Group's financial statements.

Travis Perkins plc

Travis Perkins plc is a British builders' merchant and home improvement retailer based in Northampton. It operates 1,900 outlets and has more than 27,000 employees.

The company's product lines include general building materials, kitchens and bathrooms, hand and power tools, landscaping materials, painting and decorating materials, timber and joists. The company is structured around four divisions; General Merchanting, Contract Merchanting, Plumbing & Heating, Consumer.

Travis Perkins do not anticipate the impact of implementation to be material under the control-based model for recognising revenues. The only difference they identify is the recognition of inventory expected to be returned.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers,** which supersedes IAS 18 **Revenue**, will be effective from 1 January 2018. The new standard provides a single model for revenue recognition based on when identified performance obligations are satisfied. The revenue recognition model now focuses on the transfer of control rather than the transfer of risks and rewards. The Directors have completed their assessment of the impact of the new standard. Based on the current operating model the new standard will not have a material effect on revenue recognition, as the point at which revenue is recognised at present is consistent with the passing of control under IFRS 15.

The new standard will require the value of inventory expected to be returned, which currently forms part of the customer returns provision, to be reclassified from other payables to current assets in the balance sheet.

Business Services

Mitie Group Plc

Mitie Group plc is engaged in providing management services.

The Company focusses on providing strategic outsourcing services. The Company operates through various segments, including Soft FM, Hard FM and Property Management. The Company's Soft FM segment includes cleaning and environmental services, security, catering and front of house services. The Company's Hard FM segment includes a range of technical, building maintenance and energy services. The Company's Property management segment provides repair and maintenance services in the social housing market. The Company's services include catering, cleaning services, compliance services, custodial services, data centre services, document management, electrical inspection and testing, and insurance claims management and repairs.

Mitie Group is looking to early adopt the standard for the year ending 31 March 2018. They highlight two main areas where they are anticipating changes under IFRS 15; percentage of completion accounting and mobilisation costs, but do not provide any quantification.

Impact of IFRS 15

IFRS 15 introduces a new revenue recognition model and is due to be effective for periods beginning on or after 1 January 2018. It will have a material impact on the reported assets and income statement of the Group.

The Group is conducting a detailed review of IFRS 15 with the view to early adopting the standard for the year ending 31 March 2018.

The review of the impact of IFRS 15 is continuing and will be completed during 2017. The key impacts identified to date are:

- **Percentage of completion accounting on long-term complex contracts:** The 5-step model for revenue recognition contained in IFRS 15 introduces the concept of performance obligations. Performance obligations are the contractual promise by an entity to transfer goods or services to a customer. Percentage of completion accounting does not provide an appropriate representation of the satisfaction of performance obligations on these long-term complex contracts and consequently will no longer be considered applicable to these contracts. Therefore, it will not be appropriate to carry forward accrued revenue in relation to percentage of completion accounting on these contracts.
- **Mobilisation costs:** Under IFRS 15, costs of mobilising new contracts will have to meet different criteria in order to be classified as a cost of fulfilling a contract. This change will materially affect both: (i) the amount of costs capitalised on long-term complex contracts that have been accounted for under the percentage of completion method; and (ii) the amount of costs that have been capitalised previously as mobilisation costs. Under IFRS 15 mobilisation costs will be replaced by fulfilment costs. The criteria for capitalising costs as a fulfilment cost will be focused on the individual task being performed. The potential impact of this is being reviewed as part of the overall IFRS 15 review project.

Rentokil Initial plc

Rentokil's core business offering is pest control; however it also offers hygiene services and has recently acquired a work-wear business.

No material impact is anticipated on revenue recognition however the requirement to capitalise incremental costs associated with obtaining a contract will affect the treatment of sales commissions.

It is expected that substantially all of the Group's revenue will be treated as revenue from contracts with customers under IFRS 15, but the new standard will not require material changes to the timing of revenue recognition. We also expect that certain sales commissions that meet the requirements stated within the standard may need to be recognised as an asset and amortised over the life of the contracts to which they relate. This treatment is not anticipated to materially affect the profit of the Group.

Bioquell plc

Bioquell is a UK based manufacturer of bio-decontamination systems and services specialising in the design, manufacture and application of their unique Hydrogen Peroxide Vapour technology.

Bioquell have made minimal disclosure, stating they expect little impact on either sale of goods or services.

They focus on protecting customers' work from biological contaminants by providing solutions that eliminate problematic bacteria, viruses, fungi, spores and more.

IFRS 15

IFRS 15 is also effective for the Group from the year ending 31 December 2018. This standard will supersede all current revenue recognition under IAS 18. During 2017, the Group performed an analysis of all significant revenue streams in order to assess the impact of this transition.

- Contracts for the sale of goods are expected to only have one performance obligation and so we anticipate that there is little impact on the Group's revenue and profit. Revenue recognition will occur at the point in time that control passes to the customer which we generally expect to be on delivery of those goods
- The Group provides support services through maintenance contracts for which performance obligations are completed over time. Revenue on these contracts will continue to be recognised over that period. For revenue generated from the rendering of other services we will continue to recognise revenue upon completion of the work once the performance obligations have been met

It is expected that the adoption of IFRS 15 will not have a material impact on the Group's consolidated financial results.

Johnson Services Group plc

Johnson Services Group, headquartered in Cheshire, provides textile rental and related services across a range of sectors throughout the UK.

They are a leading supplier of work wear and protective wear in the UK, offering these services through the Apparelmaster brand. They also provide premium linen services for the hotel, catering and hospitality markets, and high volume hotel linen services, through the Stalbridge, London Linen, Bourne, Afonwen and PLS brands.

Johnson Services Group have quantified the impact of capitalising costs to obtain contracts and a reduction in revenues for payments to customers.

IFRS 15

The Group will apply the standard via the modified retrospective approach. The cumulative effect of initially applying this standard will be an adjustment to the opening balance of retained earnings as at 1 January 2018. The standard will not be applied to prior reporting periods.

Due to the nature of the Group's business activities and service contracts, the change in standard is not expected to significantly impact the amount and/or timing of revenue recognition from servicing our customers. The Group's contracts are repeat service based contracts where value is transferred to the customer over time as the services are delivered. Therefore revenue is recognised on per item basis for delivery of laundered textiles or in accordance with the terms of the contract for hotels, restaurants and events. Our customers concurrently receive and consume the benefits of this service by the Group.

IFRS 15 does state that an asset should be recognised for costs that relate directly to a contract, are incremental to securing the contract and if management expects to recover those costs. The asset should then be amortised as the services to which the asset relates are transferred to the customer. The Group has identified employee sales commissions as specifically relating directly to a contract and therefore meeting this requirement. Such costs are an estimated £1.5 million in the year to 31 December 2017. The Group will amortise these commissions over the average contract life. Applying this change to commissions paid historically by the Group, is estimated to result in a £1.0 to £1.3 million credit to opening retained earnings and a corresponding increase in net assets on the Balance Sheet.

The new standard also addresses consideration paid to customers. A reduction in revenue is to be recognised in the later of the period the Group recognises revenue for the services provided or the period the Group pays or promises to pay the consideration.

Where costs have been identified as meeting this definition, the reduction in revenue is deemed to be the latest of the above. Where revenue was reduced due to such payments under previous accounting policies, the reduction in revenue is to be amortised over the average contract life under IFRS 15. This results in an estimated £0.1 million credit to opening retained earnings and a corresponding increase in net assets on the Balance Sheet.

The Group will continue to work to design, implement and refine procedures to apply the new requirements of IFRS 15 and to finalise accounting policy choices. As a result of this ongoing work, it is possible that there may be some changes to the impact above prior to the 30 June 2018 results being issued. However, at this time these are not expected to be significant.

Chemicals

Croda plc

Croda plc create, make and sell speciality chemicals that deliver benefits to a range of diverse products including health and beauty, engine lubricants, plastics and many more.

The business is split into three core market sectors: Personal Care; Life Sciences made up of Crop Care and Health care and Performance Technologies made up of Coatings and Polymers; Geo Technologies; Home Care; Lubricants and Polymer Additives. There is also an Industrial Chemicals business area. In all areas of the business, their focus is on developing and delivering innovative ingredients sustainably.

Croda has limited disclosures which state that the group's contracts are non-complex and on standard terms and hence no material impact is expected. However, there is insufficient detail to fully understand the basis for this assessment.

IFRS 15

IFRS 15 **Revenue from Contracts** deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 **Revenue** and IAS 11 **Construction Contracts** and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The Group has completed a detailed assessment of IFRS 15 and has concluded that the impact will not be material to the Group's revenue and profit. This reflects the relatively non-complex and largely standardised terms and conditions applicable to the Group's revenue contracts. Accordingly, the Group does not intend to restate prior year comparators when the new standard is adopted.

Components

Essentra plc

Essentra explain the nature of revenues generated by each of their divisions and the particular areas they have considered in reaching their conclusion that the impact will not be material.

Essentra is a leading global provider of essential components and solutions with four global divisions:

Components, offerings include caps and plugs, wire and cable management products, handles and grips, Packaging, including cartons, leaflets, printed foils used in blister packs and self-adhesive labels, Filters, including e-cigarette and Heat not Burn solutions, and Specialist Components, including extrusion, pipe protection products and speciality tapes.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** establishes a new 5-step model that will apply to revenue arising from contracts with customers, and provides a more structured approach to measurement and recognition of revenue. The review of the impact of IFRS 15 requires an assessment of each revenue stream and review of contracts and/or supply agreements in place with our customers in order to establish and confirm the full impact of adopting this standard.

Based on the review and assessment undertaken, management conclude that the new standard will not have a material impact on revenue recognition for the Group, given the nature of products and services offered by the Group.

Information on the nature of revenue recognition within each division is outlined below, with key areas highlighted where the adoption of IFRS 15 will have an impact on the current accounting policies.

Filter Products

Within the Filter Products division, Essentra primarily manufactures customer specific products for the tobacco industry. There is no significant impact on the recognition of revenue on these products.

Component Solutions

Within our Component Solutions division, we supply over 90,000 customers across the globe with more than 30,000 products. The majority of sales are the supply of standard Essentra parts available from stock that are sold on standard terms.

Health & Personal Care Packaging

In the Health & Personal Care Packaging division, Essentra generally manufactures customer specific products. There is no significant impact on the recognition of revenue on these products.

The following areas were specifically considered by the Group:

- Revenue will continue to be recognised net of any trade discount or rebate schemes and any anticipated warranty liabilities, there is no material change under the new standard to the calculation of liabilities arising from rebate schemes or product warranties
- In a small number of instances, Essentra provides services to the customers in addition to the supply of goods. Where previously revenue was only recognised on the supply of goods under IFRS 15, an element of revenue will be attributed to the additional services provided where these are distinct from the goods being supplied. The total value of revenue attributable to such services is not significant
- The incremental costs of obtaining a contract will be recognised as an asset if the Group expect to recover those costs. These costs were not significant in the past, and are not expected to be significant
- Where a customer has committed to purchase goods in advance of production, revenue may be recognised on production rather than on transfer of control to the customer. Such arrangements are rare and insignificant to the total Group revenue

The individual and aggregate impact of the above is not material to the Group.

Consumer Products

Reckitt Benckiser plc

Reckitt Benckiser Group is a British multinational consumer goods company headquartered in Slough. Brands include Dettol, Strepsils, Veet, Air Wick, Gaviscon and Clearasil.

Reckitt Benckiser provide brief disclosures outlining the areas of potential difference that they have considered in making their assessment and provide quantification of the differences as a percentage of net revenue, which at 1% they conclude is not material.

It has operations in around 60 countries, selling products across 200 countries. It organises its products into three main categories:

1 Health

2 Hygiene

3 Home

With other brands belonging to three further categories:

1 Food

2 Pharmaceuticals

3 Portfolio brands

The company's strategy is to have a highly focused portfolio concentrating on its most profitable brands, which are responsible for 70% of net revenues.

IFRS 15

IFR 15 **Revenue from Contracts with Customers** will be effective for annual periods beginning on or after 1 January 2018. The standard deals with revenue recognition and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the Group's contracts with its customers. The standard provides clarification about when control of goods is passed to customers and contains more guidance about the measurement of revenue contracts which have discounts, rebates and other payments to customers. During 2017, the Group completed a detail review of the requirements of IFRS 15 against current accounting policies. The areas the Group considered included payments to customers, the timing of revenue recognition based on control of goods, principal and agent relationships and consignment inventories. The Group has concluded that there will be no material impact of adopting IFRS 15. Taken together, the items above would have reduced reported 2017 Net Revenue by less than 1%, most of which is a reclassification of payments to customers recorded elsewhere in the Income Statement. The impact on profit would not have been material.

Energy and Utilities

Aggreko plc

Aggreko plc is a supplier of temporary power generation equipment and of temperature control equipment, including industrial heaters, industrial boilers, dehumidifiers and cooling equipment, and loadbank hire.

The most significant areas of impact for Aggreko arise from the requirements in IFRS 15 for the treatment of contract costs in respect of mobilisation and de-mobilisation activities.

IFRS 15, Revenue from Contracts with Customers

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised in accordance with the 5-step model included in IFRS 15 which specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at an amount to which the entity expects to be entitled. The standard replaces IAS 18 **Revenue** and IAS 11 **Construction Contracts** and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Group has completed its assessment of the impact of this standard and intends to adopt the partial retrospective method of adoption. This means that for the June 2018 Interim Accounts and the 2018 Annual Report we will restate the 2017 comparative numbers to take account of IFRS 15. The partial retrospective method allows certain exemptions with Aggreko taking the exemption not to restate for contract extensions before 1 January 2018. The main changes from adopting IFRS 15 are detailed below.

Mobilisation and demobilisation

Mobilisation costs are classified as fulfilment costs where they are separately identifiable and specific to a particular project and where the mobilisation does not itself form a separate performance obligation. In these circumstances, mobilisation costs are capitalised as they relate to future performance obligations ie the provision of power is the future performance obligation, which begins when the power starts to be generated. During the phase of mobilisation this service has not yet started and as such represents a future performance obligation. The costs incurred during mobilisation are directly related to the contract and enable Aggreko to earn revenue from the provision of power. They are expected to be recovered because the contract is profitable although these will be reviewed carefully for any indication of impairment.

With respect to demobilisation costs the Group has a legal obligation to incur demobilisation costs once the assets are installed on site, as this is required by the contract. This creates a legal obligation from a past event. The majority of these costs can be measured reliably and therefore they meet the definition of a provision. These costs are capitalised as a fulfilment cost asset as they are incurred in relation to a performance obligation (delivering power) and are expected to be recovered and generate or enhance resources because they facilitate Aggreko's delivery of the contract.

The fulfilment costs (mobilisation and demobilisation costs) will be amortised to the income statement over the period of the initial contract. The amortisation starts when we start to earn revenue and stops when the initial contract period stops. If there is a signed extension, the unamortised amount left in the balance sheet when the extension is signed can then be amortised over the remaining period of the initial contract and the extension period (for demobilisation costs there only needs to be a high probability of an extension). In contracts, where mobilisation and demobilisation income timing is specifically stipulated in the contract in order to match the timing of associated costs, then this income will now be recognised during the period of provision of power.

The impact on 2017 would be:

Mobilisation/demobilisation costs

The income statement charge under IFRS 15 would be £5 million higher in 2017 than compared to current accounting.

On 1 January 2017 a fulfilment asset of £16 million will be booked (split between current and non-current), a demobilisation provision of £11 million will be booked and the balance of £5 million will be credited to the retained earnings reserve. The movement in fulfilment assets and demobilisation provision during 2017 is summarised below:

	Fulfilment asset £m	Demobilisation provision £m
Balance at 1 January 2017	16	(11)
Capitalised in year	12	-
Provision created for future mobilisation costs	2	(2)
Amortised to income statement	(20)	-
Utilised	-	3
Balance at 31 December 2017	**10**	**(10)**

Note: The amortisation cost would be booked in cost of sales.

Mobilisation/demobilisation revenue

If there is a separate mobilisation/demobilisation clause in the contract, then revenue is now recognised over the length of the contract instead of taken as incurred. Under IFRS 15 accounting this would lead to revenue of £3 million against current accounting revenue of £1 million therefore a £2 million upside. The movement in the deferred revenue account for 2017 is summarised below:

	Deferred revenue £m
Balance at 1 January 2017	(4)
Deferred in year	(1)
Released to income statement	3
Balance at 31 December 2017	(2)

Therefore in total IFRS 15 would decrease profit before tax by £3 million as revenue would be £2 million higher and costs would be £5 million higher.

Rehire arrangements (Principal vs. Agent)

Aggreko will sometimes hire equipment from a third party to use on a contract. Under current accounting the revenue and cost associated with this item is accounted for separately as Aggreko is the principal. Under IFRS 15 Aggreko is acting as an agent rather than principal in this instance mainly because Aggreko does not control the provision of the service due to factors such as the fact that the third party is still responsible for repairs to the equipment. Under IFRS 15 the cost of the rehire is netted against revenue. The impact of this in 2017 would be to reduce revenue and cost of sales by £34 million. There is no impact on operating profit.

Other points that do not have a material impact

- Contracts which have a separate clause stating items retained by the customer at the end of the contract: Where elements of the previously supplied performance obligation are retained by the customer at the end of the contract, these may represent separate performance obligations because they provide a benefit that is not solely an input to the performance obligation of provision of power. If this is the case then timing of revenue for these elements may be different from provision of power. Currently there is no material impact on the Group from this but we will continue to monitor going forward
- Potential penalties on contracts: IFRS 15 requires variable considerations to be estimated and then included in the transaction price only to the extent it is highly probably it will not be subject to significant reversal when the uncertainty is resolved. The main impact to Aggreko could potentially be penalties, however on inception, given the assumption as the Group enters each contract that it will fulfil performance obligations, the likely impact of contract penalties are such that we would expect no obvious restrictions in recognising variable revenue. This will need to be revisited throughout the term of the contract

Drax Group plc

Drax Group plc is a British electrical power generation company. The Group is made up of upstream and downstream enterprises.

Drax explain how they have assessed their material contracts and from this review concluded that significant change is unlikely.

The principal downstream enterprises are based in the UK and include Drax Power Limited, which runs Europe's biggest biomass-fuelled power station, Drax power station, the UK's largest decarbonisation project, supplying between 7% to 8% of the country's electricity needs. Related businesses include Haven Power, a supplier of electricity (including sustainable biomass energy) to business. The group's largest upstream enterprises are Drax Biomass, which sources sustainable biomass for Drax power station and Baton Rouge Transit, which handles storage and transport of finished biomass pellets from the Port of Baton Rouge in Louisiana.

IFRS 15

The Group has completed an impact assessment for the adoption of IFRS 15. The standard has been adopted from 1 January 2018.

IFRS 15 introduces a 5-step model for determining the recognition and measurement of revenue, which is more in-depth and provides additional guidance compared to the previous revenue standard. The Group's main sources of revenue and existing revenue recognition policies are described in more detail in Note 2.2.

Having assessed the Group's material contracts against the new model, a significant change to the quantum and timing of the recognition of revenue and profits is considered unlikely. The review has included the sources of revenue referred to in Note 2.2.

IFRS 15 introduces a number of areas of judgement into the revenue recognition process, in determining that no significant change is anticipated, the most critical areas of judgement related to the B2B Energy Supply businesses. Our assessment has considered the identification of performance obligations within the customer contracts, the assessment of when each performance obligation is satisfied and the treatment of variable consideration. In all three of these areas, the current policies have been assessed and we have concluded that they are in line with the new requirements.

In the Group's other businesses, the significant contracts are not complex, being characterised by a single performance obligation that is satisfied at a point in time with a fixed consideration. Therefore, we have concluded that there will be no impact on transition to IFRS 15.

Utilitywise plc

Utilitywise is a leading independent utility cost management consultancy based in North Tyneside.

The Group has established trading relationships with a number of major UK energy suppliers and provides services to its customers designed to assist them in achieving better value out of their energy contracts, reduced energy consumption and lower carbon footprint. Businesses large and small rely on Utilitywise for their energy management needs, clients range in size from single site SME's to multinationals with thousands of sites and cover for the whole of the UK. In total, Utilitywise has c.26,000 UK and Ireland customers.

Utilitywise has early adopted IFRS 15 using the full retrospective transition approach and have disclosed material adjustments in the transition to the new standard, through a separate IFRS 15 presentation. Due to significant adjustments posted to opening reserves, they have declared that dividends will not be paid until sufficient distributable reserves have been re-established. Utilitywise also has a revolving credit facility with covenants; the lender has advised that they will continue to test these covenants as if IFRS 15 had not been adopted. The disclosure in the financial statements does detail the expected changes, however no quantification is provided.

Early Adoption of IFRS 15 – IFRS 15 Presentation

On 31 July 2017, Utilitywise announced that it will adopt the accounting standard IFRS 15 **Revenue from Contracts with Customers** on 1 August 2017.

Key highlights:

- new accounting standard, IFRS 15 to be adopted on 1 August 2017
- main changes:
  - recognition of revenue from same supplier renewals ('Renewal Contracts') upon contract commencement rather than contract signature
    - IAS 18 requires that revenue is recognised at fair value when it is probable that future economic benefit will flow to the group – this was considered to be on signature by a customer on the renewal contract
    - IFRS 15 requires that revenue is recognised at the transaction price when certain contractual obligations are met but with any variable consideration elements of the price recognised when it is highly probable that there will be no reversal of that revenue – this was considered to be on contract commencement rather than signature.
  - initial recognition value of procurement contracts (new business and Renewal Contracts) at 80% rather than 85%
  - adoption of IFRS 15 causes de-recognition of £24.3 million of renewal contracts from 31 July 2014-31 July 2016.

Expected contracts commencing in financial year ended	85% basis £m	85% to 80% adj £m	80% basis £m
31 July 2017	11	(0.6)	10.4
31 July 2018	6.5	(0.4)	6.1
31 July 2019	3.5	(0.2)	3.3
31 July 2020	2.1	(0.1)	2.0
1 August 2020 or later	1.2	(0.1)	1.1
	24.3	**(1.4)**	**22.9**

- no impact on commercial activities or cash flows but change expected to lead to close correlation between accounting earnings and operating cash flows
- material impact on future accounting revenue recognition and, therefore, profits
- Utilitywise will now have an increased future order book as at 30 June 2017 of £43.3 million
- due to impact on retained earnings, Utilitywise will not pay a final dividend in respect of the year ended 31 July 2017
  - intention to recommence the payment of dividends in respect of the year ended 31 July 2018, subject to successful process to create sufficient distributable reserves
- year ended 31 July 2018 will be the first financial year of the Group to be prepared under IFRS 15. The financial statements for earlier years will also be restated to reflect the change in accounting policy
- the Group has a £25 million revolving credit facility with a UK lender who has advised that they will continue to test the covenants as if IFRS 15 had not been adopted.

News Article, Proactive Investors, July 2017: Utilitywise slumps on profit warning as it adopts new accounting policy

As an aftermath of the Company's announcement to adopt IFRS 15 and warning of material impact on 2017 revenue and profits due to changes in its accounting policies, shares of the Company declined by 36%.

Financial statements disclosure

On 1 August 2017, the Group early-adopted IFRS 15 **Revenue from Contracts with Customers**, interpretations of which are mandatory for future accounting periods from 1 January 2018.

Revenue recognition criteria

Until 31 July 2017, the Group recognised revenue in accordance with IAS 18 **Revenue**, which requires that revenue is recognised when it is "probable that future economic benefit will flow" to the Group. The Group's accounting policy to comply with IAS 18, is set out in Note 1, being the commencement of a new customer contract or upon the signature of a Renewal contract, respectively.

IFRS 15 requires that revenue is recognised at the 'transaction price' when certain contractual obligations are met but with any 'variable consideration' elements of the price recognised when it is 'highly probable' that there will be no reversal of that revenue.

Initial revenue is recognised on procurement contracts when the transaction price can be reliably estimated and it is highly probable that there will be no material reversal of variable consideration amounts in subsequent periods. Other than the timing of recognition of revenue on same supplier renewal contracts (see below), there are no other material differences in revenue policy and estimation methodology compared to the IAS 18 policy, set out in the accounting policies.

Timing of revenue recognition on Renewal Contracts

As detailed above, under IAS 18 the Group recognises revenue upon the signature by a customer of a Renewal contract with their existing supplier. This is on the grounds that it is considered 'probable' that the renewed contract will ultimately be honoured by the customer, which meets the recognition requirements of IAS 18, the Group having no further contractual obligations in respect of those transactions.

Given that there can be a significant time delay between the signature of a Renewal Contract and the contract subsequently commencing, it is considered that the delay means that the likelihood of the contract being honoured remains probable but does not meet the 'highly probable' condition of IFRS 15. It is determined that the highly probable condition is met when the renewed contract comes into effect, rather than upon the signature of the Renewal Contract. This has the effect of deferring revenue to later accounting periods, as a result of the adoption of IFRS 15.

Separately identifiable, incremental costs associated with this deferred revenue, primarily relating to attributable commission payments, will also be deferred and recognised in the same accounting period as the revenue to which they directly related.

The Directors have not identified any further material differences that are expected to arise on the adoption of IFRS 15 on 1 August 2017.

The Group previously announced a restatement of the financial results for the years ended 31 July 2014, 2015 and 2016 on 31 July 2017. Following the change in accounting policy for revenue recognition in the financial statements for the year ended 31 July 2017, explained in the Strategic Report and in Note 2, the restated financial information as previously announced is expected to materially change.

Given the change in accounting policy for revenue recognition, the time required to prepare restated information and the detailed disclosures of the financial effect of the adoption of IFRS 15 would further delay the finalisation of the financial statements for the year ended 31 July 2017. Given the priority of the Board of Directors to finalise and publish the 2017 Annual Report for the reason set out on page 24 relating to the delay in approval of accounts, separate publication of the financial effects of the adoption of IFRS 15 on the Group will be made subsequent to the publication of this annual report.

SSE plc

SSE plc is engaged in producing, distributing and supplying electricity and gas, as well as other energy-related services to homes and businesses in Great Britain and Ireland.

The Company's segments include Networks, which consists of electricity distribution, electricity transmission and gas distribution; Retail, which consists of energy supply, enterprise and energy-related services, and Wholesale, which consists of energy portfolio management and electricity generation, gas storage and gas production. The Networks segment is engaged in the distribution of electricity to customer premises in the North of Scotland and the South of England. Its Retail segment supplies electricity and gas to residential and business customers in the UK and Ireland. The Wholesale segment is engaged in the generation of power from renewable and thermal plant in the United Kingdom, Ireland and Europe, and the procurement and optimization of power and gas and other commodity requirements.

For the majority of SSE's revenue streams they are expecting very little impact in the transition to IFRS 15, except for Construction and Service Contract revenue where the timing and measurement of revenue may change. The Group are planning to adopt the modified retrospective approach and are looking to provide a more detailed assessment over the coming year.

IFRS 15

This standard replaces IAS 11 **Construction Contracts**, IAS 18 **Revenue**, IFRIC 18 **Transfers of Assets from Customers** and a number of other revenue related interpretations previously adopted by the Group. The core principle of IFRS 15 is that an entity recognises revenue to present the transfer of promised goods or services to customers reflecting the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard has introduced a 5-step model as the framework for applying that core principle.

The Group has continued to progress its assessment of the impact adoption of the standard. This assessment has been focussed on reviewing the contractual terms of the Group's various revenue streams under the 5-step model, and highlighting anticipated differences in the recognition and disclosure of revenue. Whilst any accounting policy changes resulting from adoption of this standard have yet to be confirmed, the indicative Group impact can be summarised as follows:

- The majority of revenue from energy generation and related trading is managed through the Group's Energy Portfolio Management (EPM) business utilising energy commodity contracts which are either designated as executory 'own use' contracts or are deemed to constitute financial instruments under IAS 39 and which are therefore outside the scope of IFRS 15. The presentation of revenue outside the scope of IFRS 15 will be considered as a consequence of IFRS 15 adoption. This is not expected to have a significant impact on the Group's results
- Recognition of revenue from the supply of energy is based on the enforceable right to bill customers based on their consumption of energy and is not expected to change under IFRS 15. However, the agent/principal distinction within IFRS 15 may determine that only the net consideration on certain revenue items such as agent commission or energy delivery service costs may be recognised rather than the gross consideration as currently presented. This is not expected to impact the Group's results
- The majority of revenue from use of electricity networks is based on tariffs derived from allowed revenue calculations as regulated by the Office of Gas and Electricity Markets (Ofgem). No change to recognition or measurement of revenue is expected under IFRS 15
- Construction and service contract revenue is currently based by reference to the stage of completion of overall contract activity or performance of the relevant service, however IFRS 15 requires the separation of a contract into separate performance obligations and recognition of revenue when the customer obtains control (either over time or at a certain point in time). Therefore, depending on management's assessment of the separation or combination of performance standards under IFRS 15, there could be changes in timing and measurement of revenue and cost recognition

Furthermore, IFRS 15 allows the capitalisation of costs directly related to obtaining, and expected to be recovered through, a customer contract which is currently expensed as incurred. Whilst its review is currently in progress, it does not expect that these changes will have any significant impact on the Group's results.

A detailed and complete impact assessment has not yet been finalised, and will be completed during the course of the next financial year.

The Group will look to confirm accounting policy decisions, and implement necessary processes to capture any adjustments and additional disclosures required, during the course of the next financial year. The Group anticipates that it will be applying the 'modified retrospective' approach in adopting the standard, and has no plans for early adoption.

European Energy A/S

European Energy A/S is a Danish-based independent power producer and developer of renewable energy projects.

It focuses on tried and tested renewable energy technologies: onshore wind and PV solar. Its competences span from green-field development to operation and sale of renewable power plants. Since the Company was founded in 2004 it has developed 43 onshore wind power plants and 15 PV solar power plants.

European Energy A/S: New accounting standard for recognition of revenue has been adopted

European Energy A/S announced in January 2017 the decision to early adopt the IFRS 15 in the annual report for 2016 which led to an adjustment of expectations for 2016.

European Energy has early adopted IFRS 15 after consultation with the Danish Business Authority who consider that IFRS 15 is more appropriate for its revenue recognition. The disclosures provided have quantified the impact that IFRS 15 has had. In summary, the timing of revenue will be delayed compared to the previous revenue standard.

Compared to the interim financial report for Q3 2016, published 30 November 2016, the impact from the adoption of IFRS 15 was illustrated as follows:

Unaudited		YTD Reported			YTD applying IFRS 15	
('000 EUR)	Revenue	Net result	Equity	Revenue	Net result	Equity
Q3 2016	69.797	2.221	68.438	80.099	12.761	60.737

- Revenue is expected to be 100 million EUR for 2016 compared to the previously announced expectations of a higher level than in 2015 (59 million EUR)
- Profit is expected to be 13-15 million EUR compared to previously announced level of 6 million EUR
- This is due to revenue recognition being delayed and revenue being deferred into other years
- Previously under IAS 18, revenue was recognised when all permits for the construction are in place, all financing is in place, the delivery of the wind and solar power generating asset for the construction has been confirmed and the share or asset purchase agreement with no significant conditions precedents have been signed by both parties
- Under IFRS 15, it is considered that at these stages, European Energy has not fulfilled its performance obligations towards the buyer. This is only fulfilled once the asset has been constructed and the buyer has accepted the acquisition
- Typically, this will delay the recognition of revenue by 3 to 9 months

Disclosure in accounts

The accounting policies used are consistent with those of last year except for early adoption of IFRS 15 and that estimated future demolition costs for wind and solar farms has been presented gross in the balance sheet as a provision instead of an offsetting against the assets at year end. This has increased total assets with the same amount as the provision at year end. Due to immateriality comparative figures have not been changed. Furthermore, as the Company expect the scrap value of the assets to equal estimated demolition costs, there is no effect on the profit and loss for the year.

In late 2016, European Energy decided to adopt the International Financial Reporting Standard 15 (IFRS 15) before the mandatory implementation in 2018. IFRS 15 was implemented following a dialogue with the Danish Business Authority regarding European Energy's previous accounting policy for recognising sales revenue from wind and solar farms under IAS 18. The Danish Business Authority disagreed with European Energy's interpretation of IAS 18. As a result, Management has decided to align the European Energy's accounting policy with the Danish Business Authority's assessment. It is Management's opinion that the framework of IFRS 15 is in line with the Danish Business Authority's interpretation of IAS 18, and therefore the company automatically complies with the requested way of revenue recognition by implementing IFRS 15.

The standard is implemented retrospectively using the practical expedient allowing non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application.

The adoption of IFRS 15 means that revenue from contracts regarding the sale of solar and wind farms will be recognised on the basis of contractual performance obligations. In the future revenue from sale of wind and solar farms will usually be recognised when the asset is constructed and delivered to the buyer, the buyer has accepted the acquisition and the sale has been completed on the closing date. The adoption of IFRS 15, has resulted in that revenue typically is recognised three to nine months later than revenue was recognised under the previous revenue recognition policy.

The implications of the change in revenue recognition policy are shown below. The implications correspond to the Danish Business Authority's recommended changes to the revenue recognition policy.

Changes to the accounting policy and similar for the Group

The change in revenue recognition has postponed the point in time for which the Group recognises revenue. The Group has consequently made a study of all revenue recognised for the sale of energy parks from 2011 to 2016. The outcome of this has changed the profit and loss, balance sheet and cash flow statements for all years. Due to the material changes from the adoption it has been decided to show the new values in the Group financial highlights and key ratios.

The tables show the results of the early adoption of IFRS 15 as from the adoption date 1 January 2016 and similar for the Group. These adjustments are shown in the column 'Effect of early adoption of IFRS 15'.

The change in revenue recognition has led to the reversal of sales previously recognised and these have been postponed to the year where the delivery of the energy farm has taken place. The corrections to the profit and loss is thus a decrease in revenue with the revenue from projects which has been postponed to recognition in a future year, and addition from the projects which had been recognised in previous years, but has been delivered in the current year. Additionally the direct costs and tax from the profit has been corrected.

When an energy park has not yet been sold due to the change in point in time for revenue recognition, the SPV has again been consolidated with the group, until the new revenue recognition date. The reversal of the revenue has decreased the equity, the trade receivables and contracts assets, and the trade payables.

The reconsolidation of SPV's has added to the Group's balance. Typically with additions to inventory, cash, trade payables and debt to credit institutions.

During the very comprehensive analysis of all divestments six years back, a few other issues have been discovered which has led to adjustments to the 2015 statements. These are shown in the column 'Effect of IAS 8 adjustments'. The adjustments are reclassifications within the statements and have no effect on the profit and loss or equity for the Group.

All changes in reclassifications and conversions are also described.

Engineering

Meggitt plc

Meggitt is a British engineering business specialising in aerospace equipment. Meggitt is organised into five divisions, integrating the design and development capabilities and product portfolios of complementary Meggitt business units.

Meggitt have identified a number of areas of change and quantified the resultant impact on revenues and operating profit.

These are: Aircraft Braking Systems, Control Systems, Polymers & Composites, Sensing Systems and Equipment Group.

IFRS 15 Revenue from Contracts with Customers

This standard establishes principles for reporting the nature, amount and timing of revenue arising from an entity's contracts with customers. The standard becomes effective for periods beginning on or after 1 January 2018. The Group's intention is to apply the full retrospective approach upon adoption of IFRS 15. This approach requires all open contracts with customers presented in the 2018 consolidated financial statements to be transitioned under the new standard. Comparative financial information for 2017 will be restated with a cumulative adjustment to equity at 1 January 2017. The Group has performed a significant, detailed analysis in order to quantify the impact of IFRS 15. The principal areas of the Group's existing accounting impacted include:

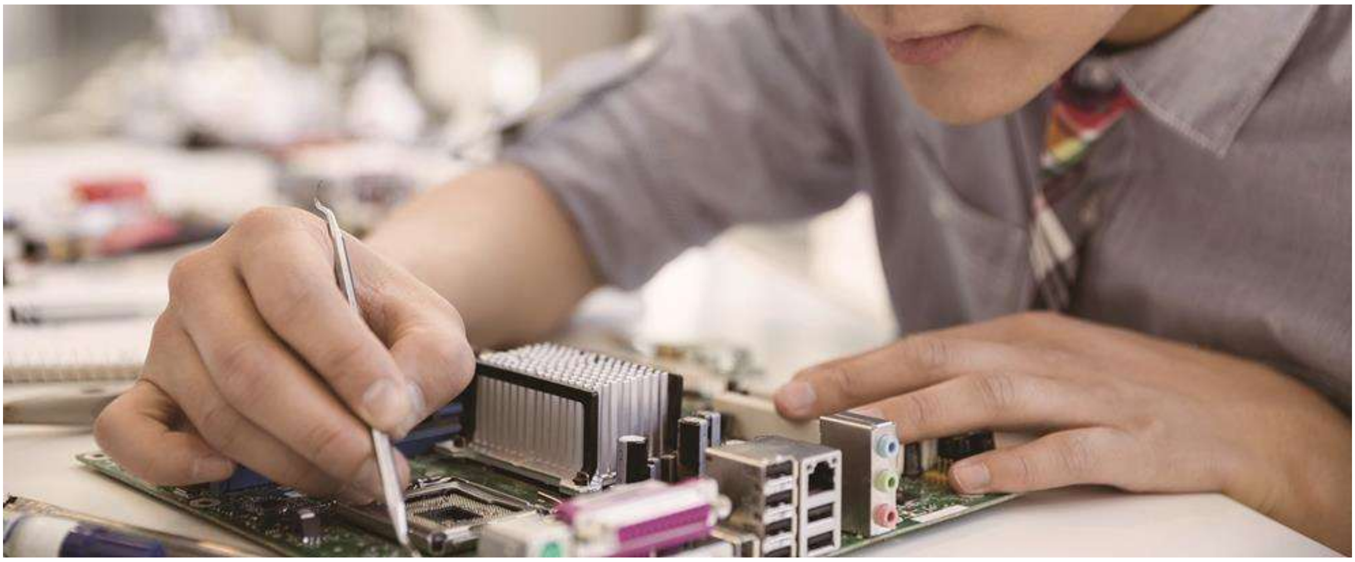
- **Programme participation costs – Free of charge/deeply discounted manufactured parts:** Amounts previously recognised as an intangible asset and amortised over their useful lives will now be expensed as incurred.
- **Programme participation costs – Cash payments:** The treatment of cash programme payments will depend on the nature of the contractual relationship between the Group and the third party to whom the payment is made. Where the payment is made to a third party under a revenue contract (as defined by IFRS 15), or the award of future IFRS 15 revenue contracts on the programme from the same party is highly probable, payments will be recognised as a contract asset and amortised, as a deduction from revenue, over the periods expected to benefit from those contracts. This situation will most frequently arise where payment is made to the same party to whom OE and/or aftermarket parts are sold. Other payments will continue to be recognised as an intangible asset and amortised as a charge to cost of sales.
- **Revenue from sale of goods:** The timing of revenue recognised on the substantial majority of contracts is not significantly affected by IFRS 15 with revenue continuing to be recognised as goods are delivered to the customer, at the price agreed with the customer for those goods. A minority of contracts require changes to the timing of recognition of revenue to reflect IFRS 15 guidance on areas such as the accounting for customer price changes, volume discounts, whether multiple deliveries and services provided to a customer should be accounted for individually or aggregated and, for certain military contracts, the requirement to recognise revenue over time as parts are manufactured.
- **Contract accounting revenue:** Certain contracts will no longer meet the criteria for revenue to be recognised as work is performed, but will instead only be recognised at a point in time, usually when goods are delivered to the customer. Contracts which continue to qualify for revenue to be recognised over time will be accounted for as performance occurs, although the method by which performance is measured will, in some instances, change under IFRS 15.
- **Revenue from power by the hour and cost per brake landing type contracts:** Revenue will no longer be recognised by reference to the number of aircraft flying hours or aircraft landings but when maintenance events are carried out.
- **Revenue from other services:** No significant changes to the current method of accounting will arise.
- **Revenue from funded research and development contracts:** Revenue will no longer be recognised as contractually agreed milestones are achieved but when control passes to the customer, either over time as work is performed or at a point in time as performance obligations are satisfied.

An assessment of the expected impact of IFRS 15 is shown below. It represents a reasonable estimate of the expected impact on the reported results for the year ended 31 December 2017 and on the net assets at that date but is subject to revision during 2018 as the Group completes its analysis, particularly for those contracts on which revenue was recognised in the latter part of 2017 under current GAAP.

	£'m
Revenue	
As reported	2,027.3
Expected impacts	(30.5)
Estimated revenue for the year ended 31 December 2017 – Restated under IFRS 15	**1,996.8**
Underlying operating profit:	
As reported	388.4
Programme participation costs – free of charge/deeply discounted*	(22.9)
Expected other impacts	(9.8)
Estimated underlying operating profit for the year ended 31 December 2017 – Restated under IFRS 15	**355.7**

*Relates to the expensing of amounts capitalised in 2017 and the reversal of the amortisation charge for the year.

The estimated impact on net assets at 31 December 2017 is a reduction of £234.2 million from that reported under current GAAP, driven principally by the expensing of £285.4 million free of charge/deeply discounted manufactured parts and the elimination of the associated deferred tax liability held in respect of such amounts.



ThyssenKrupp plc

ThyssenKrupp is a German multinational conglomerate with focus on industrial engineering and steel production. It is one of the world's largest steel producers. In addition to steel production, its products range from machines and industrial services to high-speed trains, elevators and shipbuilding.

ThyssenKrupp have identified that the tighter control-based definitions around principal vs agent will lead to a reduction in revenues; deferral of revenues when recognising revenues over time; separate (and later) recognition of revenues in respect of material rights; and capitalisation of costs to obtain contracts.

Based on the findings of the detailed analysis of IFRS 15 carried out in fiscal year 2015/16, the following key impacts were identified compared with the current revenue recognition:

- For certain business models in the automotive supply business of the Components Technology business area, the concretized definition of principal and agent in IFRS 15 based on the principle of control will result in a significant and sustained reduction in reporting revenue due to the extended net presentation of agent revenue. At the same time, this will have a positive impact on the reported percentage sales margin (related to adjusted EBIT) of the Components Technology business area, which would be 0.6 percentage points higher at the balance sheet date September 30, 2016
- When applying the IFRS 15 criteria for revenue recognition over time, revenue may be recognized later in individual cases in the Industrial Solutions business area, which currently uses the percentage of completion method in accordance with IAS 11
- The requirement under IFRS 15 to identify separate performance obligations under certain circumstances and the resultant allocation of the transaction price will impact the timing of revenue recognition

  In naval shipbuilding business of the Industrial Solutions business area, revenue will be deferred in the event that options are granted on the future purchase of further products, which represent 'material rights' under IFRS 15 and must be treated as a separate performance obligation

  In addition, especially in the Materials Services business area, depending on the Incoterms agreed with the individual customer separate performance obligations will have to be identified in connection with the provision of transportation services
- The requirement under IFRS 15 to capitalize costs of obtaining a contract under certain circumstances, in particular in the Industrial solutions and Components Technology business areas, will result in a balance sheet extension. Balance sheet extensions will also result from the recognition of contract assets, ie receivables from customers, to which there is not yet any legal entitlement
- Impacts may result from the application of IFRS 9, which has not yet been endorsed by the EU, in connection with the measurement of contract assets. In this context, IFRS 9 provides the use of the expected loss model rather than the incurred loss approach currently used
- The Group currently assumes that no use will be made of the option for early application of IFRS 15 before the start of the 2018/19 fiscal year. The transition rules for IFRS 15 permit either a full retrospective approach or a modified retrospective approach to initial application. Given that the detailed analysis of the impact of IFRS 15 on the IT processes/systems is not yet fully complete, the Group expects to decide on which alternative to use for retrospective initial application in the course of the 2016/2017 fiscal year

Vitec Group plc

Vitec is a leading global provider of premium branded products and solutions to the fast changing and growing 'image capture and sharing' market. Customers include broadcasters, independent content creators, photographers and enterprises.

Vitec briefly discusses the expected changes under IFRS 15 compared to the previous accounting standard, stating that the necessary adjustments are not expected to be material.

Vitec design, manufacture and distribute high performance products and solutions including camera supports, camera mounted electronic accessories, robotic-camera systems, prompters, LED lights, mobile power, monitors and bags. Vitec are organised in three divisions:

1. Imaging Solutions
2. Production Solutions
3. Creative Solutions.

IFRS 15 **Revenue from Contracts with Customers** is effective from 1 January 2018. This standard requires the separation of performance obligations within contracts with customers and the contractual value to be allocated to each of the performance obligations. Revenue is then recognised as each performance obligation is satisfied. This standard will replace existing revenue recognition standards. The Group will apply the standard from the transition date using the cumulative effect method. The Directors do not consider that the application of IFRS 15 will have a material impact on these results of the Balance Sheet reported in the consolidated financial statements. For the sale of goods, where revenue is recognised over the duration of the rental contract on a straight line basis at the amount billed to the customer, no adjustments are expected under IFRS 15. For goods sold with a right to return, and service warranties over an extended period, the adjustments are not material.

Cobham plc

Cobham plc is a British manufacturing company and a leading global technology and services innovator, providing solutions to the most challenging problems across Space, Air, Land and Maritime divisions.

Cobham has leading market positions in air-to-air refuelling, aviation services, audio, video and data communications, including satellite communications, defence electronics, life support and mission equipment.

The principal area of difference discussed in Cobham's disclosures relates to the recognition of revenues over time for customers' manufactured products. The impact is quantified for both balance sheet (no net effect) as well as revenues and operating profit.

IFRS 15

The Group will adopt IFRS 15, **Revenue from Contracts with Customers** from 1 January 2017, IFRS 15 introduces a 5-step model to be applied to all contracts with customers when determining accounting for revenue. In addition a number of new disclosures will be required. Upon adoption of IFRS 15 in 2018 comparatives will be restated using the fully retrospective approach.

Contracts related to the sale of short-cycle catalogue items, mostly seen in the Communications and Connectivity Sector will not be significantly impacted by IFRS 15 and revenue will typically continue to be recognised at a point in time based on when control of the product passes to the customer.

Most of the revenue in Aviation Services is generated from providing services to customers. Revenue is recognised over time as the services are enjoyed. This is consistent with IFRS 15 and there will not be a significant impact on this Sector on the adoption of the new standard.

Within the Mission Systems Sector there are currently a number of long-term development programmes. For these contracts revenue is recognised based upon the fair value of work performed to date assessed with reference to completed contract milestones. Under IFRS 15, revenue for these contracts will be recognised over time on a percentage of completion basis whereby a portion of the contract revenue is recognised based on contract costs incurred to date compared with total estimated costs at completion.

Mission Systems also generate revenue through the sale of products. Some of these products are customer specific and therefore may have no alternate use. For these contracts there is usually a right to payment and therefore revenue will be recognised over time. Progress in completing performance obligations will typically be measured based on cost incurred as a percentage of total expected cost.

The Group has a number of contracts with government bodies, in particular within the Advanced Electronic Solutions Sector, by which control is transferred to the customer as the product is being manufactured or as the services are being provided. For these contracts revenue will be recognised over time, typically using cost as the basis of measuring progress. For 'cost-plus' contracts (typically with government departments and agencies), revenue will continue to be recognised to the extent of reimbursable costs incurred, plus a proportionate amount of the estimated fee earned.

IFRS 15 will change revenue recognition methodologies for longer term contracts in the Advanced Electronic Solutions Sector and for products where there is no alternate use and an enforceable right to payment. Currently revenue for some of these contracts is recognised on a contractual milestone basis, or at a point in time on shipment or delivery to the customer.

A detailed review of contracts impacted by IFRS 15 has been undertaken and the provisional impact on the Balance Sheet as at 31 December 2016 is a decrease to working capital of £17 million, a decrease in provisions of £21 million, and a decrease in other Balance Sheet items of £4 million resulting in no net impact on reserves.

The impact on 2017 revenue is an increase of approximately £41 million, with an increase in operating profit of approximately £3 million.

The Weir Group plc

The Weir Group is an engineering company headquartered in Scotland. The company focuses on mining, oil and gas and power markets.

Weir quantify an immaterial impact expressed as a percentage of revenues, the difference appears to result from the over time versus point in time assessment although disclosures are limited.

Products and services include:

- Water and waste-water
- Chemicals and fertilisers
- Agriculture
- Food and beverage
- Pharmaceutical
- Pulp and paper
- Steel and marine engineering.

IFRS 15

IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the full retrospective approach and will restate the 2017 comparative data accordingly in the 2018 Annual Report. The Group has completed an extensive impact assessment which included submissions from each reporting entity. Based on the assessment performed, it is expected that the new standard will have a limited impact on the results of the Group, estimated at less than 1% of Group revenue, with the main change relating to the timing of revenue recognition, either over time or point in time for certain ‘Engineer to order’ contracts.

Estate Agent and Property Management

Countrywide plc

Countrywide plc is the UK's largest property services group, specialising in both residential and commercial property markets.

Services provided include estate and letting agents, surveying, conveyancing, financial services, asset and property management. The estate agent network consists of over 50 household high street brands including Alder King, Chappell & Matthews, Taylors and Hamptons.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** establishes principles for determining when and how revenue arising from contracts with customers should be recognised. An entity should recognise revenue when it transfers goods or services to a customer based on the amount of consideration to which the entity expects to be entitled from a customer in exchange for fulfilling its performance obligations.

> Countrywide state that there will be changes to their current practice of recognising WIP, although they anticipate continuing to recognise WIP on their contracts where revenue is recognised over time. It is not entirely clear how they have come to this conclusion under IFRS 15. They also anticipate some deferral of revenues on lettings fees compared to the current practice.

Management has undertaken a detailed assessment of all contracts and revenue streams across all business units using the 5-step approach specified by IFRS 15:

1 Identify the contract(s) with the customer

2 Identify the performance obligations in the contract

3 Determining the transaction price

4 Allocate the transaction price to the performance obligations in the contract

5 Recognise revenue when (or as) a performance obligation is satisfied.

A high level impact assessment was undertaken during the first half of 2017 followed by a detailed assessment and documentation exercise of all separate contracts and performance obligations with each of the business units during the latter half of the year. The transition project was steered by the Group Finance function, using the expertise of the business unit operational and finance teams, to ensure consistency with both judgements and approach.

The Group generates revenue and other income from external customers mainly in the UK from four main types of business: UK Sales and Lettings, London Sales and lettings, Financial Services and Business to Business (B2B). Management is required to take all relevant factors and circumstances into account when determining the revenue recognition methods that appropriately depict the transfer of control of goods or services to the customer for each performance obligation. This requires Management to make certain judgements, including: the determination of the performance obligations in the contract; whether the Group is acting as principal or agent; the estimation of any variable consideration in determining the contract price; the allocation of the price to the performance obligations inherent in the contract; and an appropriate method of recognising revenue. Other key considerations comprise the appropriate accounting treatment of any costs incurred to obtain the contract and the treatment of any costs incurred to fulfil a contract.

In determining the appropriate method of recognising revenue, Management is required to make judgements as to whether performance obligations are satisfied over a period of time or at a point in time. For performance obligations that are satisfied over a period of time, judgements are made as to whether the output method or the input method is more appropriate to measure progress towards complete satisfaction of the performance obligation. If performance obligations are not satisfied over time, the Group recognises revenue at a point in time.

Management has identified that the adoption of IFRS 15 will impact the financial statements as follows:

- **B2B:** Within the B2B business unit, Lambert Smith Hampton generates revenue from commercial property consultancy and advisory services, property management and valuation services. Work-in-progress (WIP) is currently recognised on specific types of contracts. Under IFRS 15, the performance obligations of certain contracts are deemed to be satisfied at a point in time. As a result, the Group will no longer recognise WIP against these contracts. We will continue to recognise WIP against other contracts where the performance obligations are satisfied over a period of time. Under IFRS 15 we estimate that, based on 2017 revenue, revenue and receivables of approximately £1 million would have been recognised in the following year. This amount will be confirmed in the interim results for the six months ended 30 June 2018. There is no impact on cash flow.
- **London:** A small proportion of revenue from lettings rent collection is currently recognised at the outset of the rent collection agreement, together with an appropriate clawback provision, based on historical experience. Under IFRS 15, revenue will be recognised over the life of the rent collection agreement in accordance with the satisfaction or the performance obligations. Based on 2017 revenue, we estimate that approximately £0.8 million of revenue would have been recognised in the following year. Operating costs would have conversely been approximately £0.7 million lower. There is no impact on cash flow.

The detailed assessment of all other contracts with customers has not identified any other material change in the timing or quantum of revenue recognition, but management will continue to evaluate judgements to ensure that they remain appropriate.

The initial date of application for the Group is 1 January 2018. The Group will adopt the standard as a change in accounting policy in accordance with IAS 8 **Accounting Policies, Changes in Accounting Estimates and Errors** in accordance with the transition requirements set out in IFRS 15. The Group will apply the full retrospective method with expedients.

The adoption of IFRS 15 requires increased disclosures in the financial statements, including details of: disaggregated revenue by category; opening and closing contract balances and their relationship to revenue reporting during the period; performance obligations with customers; transaction prices allocated to remaining performance obligations; significant judgements used for determining the timing of satisfaction of performance obligations and the transaction price; and any assets recognised form the costs of obtain or fulfil a contract. These disclosures will be adopted within the financial statements of the year ended 31 December 2018.

Financial Services

Arrow Global Group plc

Arrow Global is a leading European credit management services provider focusing on loan purchases and specialist asset management, debt purchaser and manager.

Arrow Global purchase customer accounts from a range of businesses, including retail banks, credit card and telecommunications companies. Arrow Global work closely with customers whose debts they acquire to agree affordable repayment plans based on their individual circumstances.

Arrow is a financial services group, but has identified certain revenue streams (asset management and debt collection) which are in scope for IFRS 15. While there are contingent fee arrangements, these are not expected to give rise to a material adjustment.

IFRS 15

IFRS 15 is effective from 1 January 2018 and the Group has adopted it from that date. As a result, there is no impact arising from this standard on the accounts for the year ended 31 December 2017.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 **Revenue**, IAS 11 **Construction Contracts** and IFRIC 13 **Customer Loyalty Programmes**.

The standard introduces a 5-step approach to recognising revenue:

1 Identify the contract(s) with a customer

2 Identify the performance obligations in the contract(s)

3 Determine the transaction price

4 Allocate transaction price to performance obligations

5 Recognise revenue when (or as) the entity satisfies each performance obligation.

The Group's asset management revenue is within the scope of IFRS 15. The Group recognises asset management revenue on portfolios managed for third parties. The key contract obligations include debt collection servicing and master servicing. The nature of the compensation for debt collection services and subsequent revenue recognised is contingency collection fees, which are received either as a fixed fee, or as a percentage of collections or a percentage of the outstanding portfolio asset value. The nature of the compensation for master servicing is an agreed upon fee for the provision of various services that are available on demand.

The Group has considered the revenue recognition policies in the context of the requirements of IFRS 15. As a result of the assessment, it has been concluded there will not be a material change resulting from the implementation of IFRS 15. The following is a summary of some of the more significant considerations that are important in understanding the impact of the implementation of IFRS 15 on the Group:

- **Asset management revenue–debt collection servicing:** Under IFRS 15, revenue will be recognised over time with the relevant measure of progress against performance obligations being time, due to these services being on demand for when customers require them. Based on the Group's assessment and analysis carried out to date, current revenue recognition policies are consistent with this approach. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the revenue recognition for these services.
- **Asset management revenue – master servicing:** Under IFRS 15, revenue will be recognised over time with the relevant measure of progress against performance obligations being time, due to these services being on demand for when customers require them. Based on the Group's assessment, current revenue recognition policies are consistent with this approach. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the revenue recognition for these services.
- **Transition:** The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (ie 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

FMCG

Dairy Crest Group plc

Dairy Crest Group plc is a UK-based dairy company. The Company processes and markets branded dairy products.

Dairy Crest Group's disclosure of IFRS 15 is very minimal with the directors stating that their assessment is ongoing but it is not anticipated to have a material impact.

The Company's segments include Cheese & Functional ingredients and Butters, Spreads & Oils. It produces and markets Cathedral City, a cheese brand, and the Davidstow cheddar brand. The Company manufactures butters, spreads & oils under the Clover, Country Life, Utterly Butterly, Vitalite and Willow brands. It also produces Frylight, a one-calorie cooking spray, at its facility in Erith, Kent. Under butters, spreads & oils, the Company offers packet butter and spreadable, and dairy spreads.

Impact of IFRS 15

The Directors do not anticipate that the adoption of IFRS 9 **Financial Instruments**, IFRS 15 **Revenue from Contracts with Customers** and IFRIC Interpretation 22 **Foreign Currency and Advance Consideration** will have a material impact on the Group's financial statements, however further disclosure around the potential impact of IFRS 15 has been provided.

IFRS 15 **Revenue from Contracts with Customers** will replace IAS 18 **Revenue** and the Group is in the early stages of evaluating the impact of the standard.

Under IFRS 15, revenue will be recognised based on a 5-step model which requires, for each contract with a customer, the transaction price to be matched against the performance obligation arising under the contract or in the case of more than one performance obligation, apportioned over those obligations. The transaction price will be the amount of consideration the Group expects to be entitled to in exchange for transferring the goods or service to the customer. Depending on the particular contractual arrangements in place, application of the new standard could change the amount of revenue recognised on a contract and/or its timing.

Whilst management continues the process of evaluating the impact against all of the Groups contracts with customers, initial reviews by management indicate the impact of IFRS 15 would not materially change the way in which the Group accounts for revenue.

Hotels

Dalata Hotel Group plc

Dalata Hotel Group is a hotel operator with a number of hotels in Ireland and the UK. As of 2018, it is the largest hotel operator in Ireland. Hotels operated by Dalata include those in the Maldron hotels and Clayton Hotels.

The principal difference arising for Dalata Hotel Group is in respect of the principal vs agent distinction – this is quantified and the Group expects to restate comparatives under the full retrospective method.

IFRS 15 Revenue from Contracts with Customers

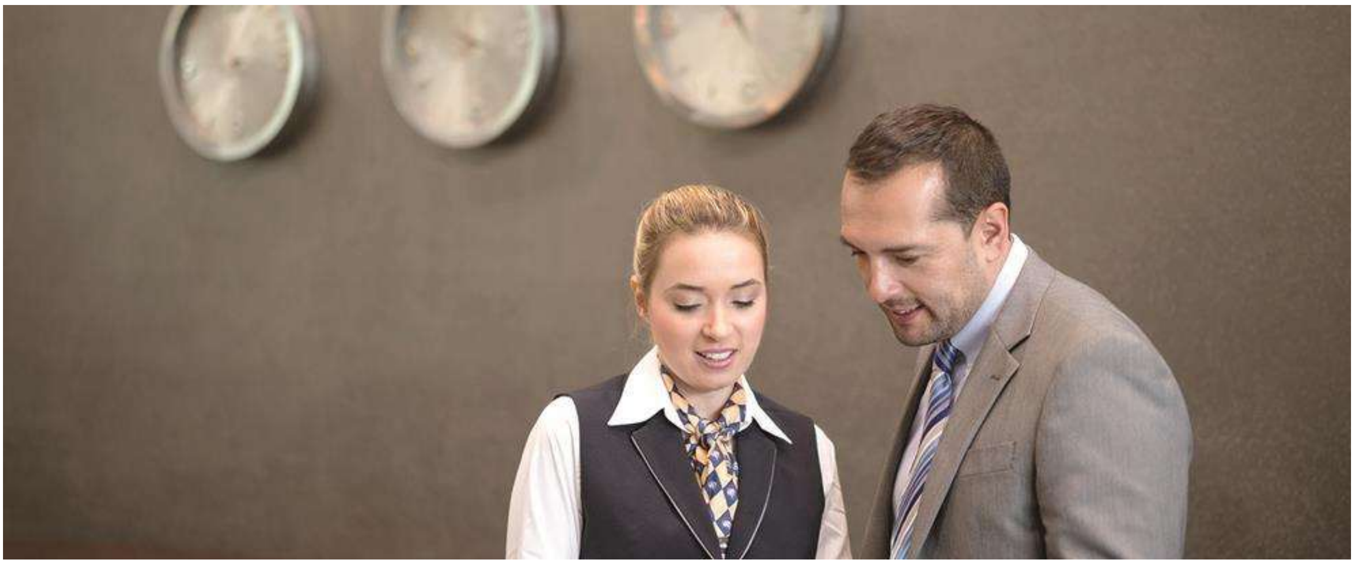
IFRS 15 **Revenue from Contracts with Customers** was issued in May 2014 and has an effective date of 1 January 2018. The Group has assessed the impact that the initial application of IFRS 15 will have on its consolidated financial statements. This impact is not considered to be material.

The group has undertaken an assessment of revenue earned in respect of its customer agreements. The Group currently accounts for revenue earned in connection with certain customers, net of commissions. Certain contracts with other customers are accounted for on a gross basis, where the related commission is included in cost of sales.

Under IFRS 15, all such revenue will be recorded on a gross basis with commissions deducted separately as cost of sales. Accordingly, the impact is limited to a reclassification between revenue and cost of sales in profit or loss.

If IFRS 15 had been effective from 1 January 2017, this would have resulted in an increase in revenue of €3.6 million for the year ended 31 December 2017, with a corresponding increase in cost of sales of the same amount.

The Group plans to adopt IFRS 15 using the retrospective method with the effect of initially applying this standard recognised at the start of the earliest period presented. Accordingly, in the consolidated financial statements for the year ended 31 December 2018 revenue associated with these contracts for 2018 and 2017 will be presented on a gross basis with commissions deducted as cost of sales.



Leisure

Merlin Entertainments plc

Merlin Entertainments is the largest European entertainments company operating in Europe.

Merlin runs 124 attractions in 25 countries across four continents. Merlin's aim is to deliver unique, memorable and rewarding experiences to millions of visitors across their growing estate. Locations include LEGOLAND, Sea Life, Thorpe Park and Chessington World of Adventures.

For the most part Merlin do not expect revenue recognition to change under IFRS 15. There are some differences in the principal vs agent assessment but they describe the overall impact as low.

IFRS 15

IFRS 15 **Revenue from contracts with customers** is effective for annual periods beginning on or after 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 15 will have on its consolidated financial statements. The estimated impact of the adoption of this standard on the Group's equity as at the beginning of the 2018 financial year is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standard at the beginning of the 2018 financial year may change because relevant accounting policies are subject to change until the Group present its first financial statements that include the date of initial application.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 **Revenue**, IAS 11 **Construction Contracts**, IFRIC 13 **Customer Loyalty Programmes** as well as SIC 31 **Barter Transactions Involving Advertising Services.**

Admission tickets, annual passes, accommodation and commercial offerings

Revenue from admission tickets, accommodation and commercial offerings is recognised at the time of the visit. For annual passes, revenue is recognised evenly over the validity period. Under IFRS 15 the timing of revenue recognition by the Group is expected to be unchanged, with a £nil estimated impact on retained earnings and non-controlling interest at the beginning of the 2018 financial year.

The majority of Merlin's revenue comes directly from the visiting customer, either in advance or at the time of the visit, and simply represents amounts received from the visiting customer (excluding VAT and similar taxes). This is unaffected by IFRS 15.

- **Trade partners:** Merlin engages with trade partners (such as online travel agents), in selling admission tickets and accommodation to the end customer. Under IFRS 15, the Group has reassessed these arrangements under the control model required by the new standards (in contrast to the risk and reward model under IAS 18). In some instances this leads to trade partners being considered agents for Merlin rather than customers themselves. This is expected to result in an increase to the value of revenue with a corresponding change to cost of sales (but no impact on EBITDA).
- **Commercial offerings:** In a small number of contracts, Merlin engages with third parties to assist in the operation of commercial offerings within theme park resorts and Midway attractions. The Group currently determines who acts as the agent or principal on a case-by-case basis. Under IFRS 15, the Group has reassessed these arrangements under the control model required by the new standard (in contrast to the risk and reward model under IAS 18). In some cases, this leads to a different determination of who acts as the agent or principal. This is expected to result in a change to the value of revenue with a corresponding change to cost of sales (but no impact on EBITDA).

The impact on the value of revenue in the Group's consolidated financial statements is expected to be low.

Sponsorship agreements and service contracts for attraction development

Currently, the Group recognises revenue on sponsorship agreements and service contracts for attraction development over the period of the contract. Under IFRS 15 the timing of revenue recognition by the Group is expected to be unchanged, with a £nil estimated impact on retained earnings and non-controlling interest at the beginning of the 2018 financial year.

Transition

The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised on the date of initial application, being the first day of the 2018 financial year. As a result, the Group will not apply the requirements of IFRS 15 to the comparative period.

Manufacturing

Safestyle UK plc

Safestyle UK plc is a UK-based company engaged in the sale, manufacture and installation of replacement un-plasticized poly vinyl chloride (PVCu) windows and doors for the United Kingdom homeowner market.

Impact of IFRS 15
Within an article on 2017 interim results the impact of IFRS 15 is briefly mentioned within the Forecast segment.

The Company's segment includes the sale, design, manufacture, installation and maintenance of domestic, double-glazed, replacement windows and doors. The Company has over 30 sales branches and approximately 10 distribution depots located throughout the UK. Its product range includes EcoDiamond Windows, EcoDiamond UPVC Doors, EcoDiamond Bi-Fold Doors, EcoDiamond Replacement Conservatories, GuardDoor, Pavilion and Inspire.

News Article, Directors Talk Interviews, September 2017: Safestyle UK plc Shares offer an attractive 6.1% dividend yield

We have adjusted our revenue and COS projections to reflect the Company's adoption of IFRS 15 which strips out charges incurred on the sale of financed products, this has no impact on forecast profitability. We reduce our dividend expectations to reflect the flat interim dividend, but welcome today's announcement of plans to return capital to shareholders through a £2.5 million share buy-back programme. We now expect FY17 dividend to be flat YoY at 11.3p and assume 3.0% growth thereafter.

Financial statements disclosure

The Group is satisfied that their current treatment of Revenue complies broadly with the remit of IFRS 15 **Revenue from contracts with customers**. Revenue is currently recognised when a service is delivered and when the contract is completed in accordance with the current policy. Work is continuing to assess whether a proportion of the contract revenue should be recognised upon manufacture of goods, prior to installation under the performance obligations of the contract. Goods supplied are bespoke to the contract and these are manufactured, finished and delivered on a 'just in time' basis. Considered together with the immaterial nature of finished goods in inventory, the Group feels that any changes to the accounting required to meet this standard are unlikely to be material to the financial results of the Group. The standard will be implemented for the interim results for 30 June 2018 and comparisons will be restated to reflect those changes on previous years.

Dialight plc

Dialight is a British-based electronics business specialising in light-emitting diode lighting for hazardous locations.

It is a world leader in LED industrial lighting technology with over 1 million LED fixtures installed worldwide. Dialight offers a broad portfolio of Industrial and Hazardous LED Lighting Solutions including:

- Industrial Lighting, Obstruction Solutions
- Control Systems
- Signals & Components

Dialight's disclosures are very brief and provide little detail on the impact of IFRS 15. They do however make reference to the changes to disclosure requirements under IFRS 15.

Adoption of new and revised standards

A number of new standards, amendments to standards and interpretations, including IFRS 9 **Financial Instruments**, IFRS 15 **Revenue from Contracts with Customers** (effective for annual periods beginning after 1 January 2018) and IFRS 16 **Leases** (effective for annual periods beginning after 1 January 2019), have not been applied in preparing these consolidated financial statements.

The Group has undertaken analysis and is currently assessing the impact of IFRS 9, IFRS 15 and IFRS 16 but believes that none of these will have a material impact on the financial statements, but may require some further disclosure.

IFRS 15 **Revenue from Contracts with Customers** (effective for the year beginning 1 January 2018), provides a single, principles-based 5-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. Based on the initial analysis, we expect that adoption of IFRS 15 will have no significant impact on the timing of recognition of revenue. The only changes for the Group are how revenue is disaggregated for the purpose of disclosure. The revenue will be primary disaggregated by geographical market and vertical segments with reportable segments.

Rotork plc

Rotork is a British-based company manufacturing industrial flow control equipment.

The company is a designer and manufacturer of industrial flow control products encompassing valve actuators, gearboxes, control systems, instrumentation and accessories. Rotork's business is split into four actuation and flow control divisions, supported by their service company, Rotork Site Services; Rotork Controls, Rotork Fluid Systems, Rotork Gears and Rotork Instruments.

Having considered the impact on both product sales and service contracts, Rotork do not expect a material change under IFRS 15. They provide an overview of the process undertaken and some discussion as to how the Standard requirements apply to their contracts.

IFRS 15

IFRS 15 was issued in May 2014 and amended in April 2016, and establishes a 5–step model to account for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS.

During 2017, the Group performed a detailed analysis of significant revenue streams in 2016, communicated to key stakeholders within the business the key aspects of the accounting change and had specific targeted training for key finance employees. In early 2018, further work targeted service revenue in 2017 to assess the impact of the change over the transition date. This analysis has enabled management to assess the impact of the new standard on the 2016 and 2017 balance sheets and the 2017 income statement. An explanation of the impact on the key revenue streams is set out below.

Contracts for the sale of products are generally expected to have only one performance obligation and adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group provides service and support through preventative maintenance contracts, on-site and workshop service, retrofit solutions and the Client Support Programme. The Group's current accounting treatment under IAS 18 is that revenue on long-term service contracts is recognised by reference to the stage of completion. Under IFRS 15, management have concluded that the long-term service contracts are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. For other service work revenue will be recognised on completion of the work and after all performance obligations have been completed. Adoption of IFRS 15 is not expected to have a material impact on service revenue in the income statement or the balance sheet.

The Group has adopted IFRS 15 on 1 January 2018 and the impact of the changes set out above are not expected to require any restatement of the 2017 balance sheet and income statement.

Devro plc

Devro plc is a multinational company which manufactures and distributes goods derived from collagen, principally sausage casings, a product in which it is the world leader.

Devro have taken a more minimalist approach to IAS 8 disclosures, concluding that the impact is not material.

The firm also produces films, casings and other specialised collagen products for use in the health care and cosmetics industries.

IFRS 15 Revenue from contracts with customers

The requirements of IFRS 15 have been reviewed and the impacts on the contracts held by the group have been considered, such as variable consideration and the timing of revenue recognition. The directors do not anticipate that the adoption of IFRS 15 will have a material impact on the financial statements of the group.

Marketing

Communisis plc

Communisis is an integrated business services company which drive client value and sustainable profit improvement through the provision of increasingly digitally enabled solutions for regulated transactional communication and marketing execution.

Most of Communisis' disclosure focuses on the method of application (full retrospective) and the expedients that they plan to take. They have not yet completed their impact assessment but have identified differences in the principal vs agent assessment and some changes in timing of recognition for their 'transition projects'. No quantification of the impact is provided.

It operates across two key divisions; the Customer Experience Division; creating customer relationships across direct, digital and social channels and the Brand Deployment Division; creating communications in retail and FMCG channels to motivate consumers to experience and buy brands.

IFRS 15 Revenue from Contracts with Customers

The standard replaces IAS 18 **Revenue**, IAS 11 **Construction Contracts** and related interpretations. It provides a single comprehensive model to use in accounting for revenue and costs from contracts with customers and includes extensive disclosure requirements. The core principal is that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for transferring the goods or services to a customer. The principles of IFRS 15 are applied using the 5-step model.

The Group will adopt IFRS 15 using the full retrospective application method and consequently apply the new standard to each reporting period presented ie 2017, in accordance with IAS 8 **Accounting Policies, Changes in Accounting Estimates and Errors.**

As a practical expedience under IFRS 15, the Group will apply the 5-step approach to portfolios of contract with similar characteristics as it is not expected that the Financial Statements would materially differ had the standard been applied to the individual contracts within the portfolio. In addition the following practical expedients will also be taken:

- contracts which are completed at the beginning of the earliest period will not be restated
- contracts that are started and completed in the same annual reporting period will have no impact and therefore will not be restated
- where contracts are completed but had variable consideration, an entity will use the transaction price at the date the contract was completed rather than estimates of the variable consideration in comparative periods
- contract modifications which occurred before the beginning of the earliest period presented will be reflected in aggregate
- for all periods presented before the date of initial application, we will not disclose the amount of the transaction price allocated to the remaining performance obligations or an explanation of when we expect to recognise that amount as revenue.

The Group is in the process of finalising the impact on the 2018 results. At this stage, the following areas of change have been identified:

- Certain revenue streams within the Customer Experience segment should be treated on an Agent basis under IFRS 15 whereas under IAS 18 these are accounted for on a Principal basis. As agent, the Group will recognise revenue net (ie the remaining amount of consideration after deduction of third party's fees) when or as the performance obligation is satisfied. An adjustment to both revenue and costs is therefore required when restating the 2017 comparatives in accordance with IFRS 15. This will not affect profit however margins will be improved due to the lower revenue figures; and
- The profile of transition revenue, relating to the integration of new contracts into Communisis, is likely to change under IFRS 15. The extent of this change will vary between contracts dependent on the specifics of each individual transition project.

Media

WPP plc

WPP plc provides advertising and marketing services as well as communication, branding and consumer insight services.

WPP are not expecting a material impact although their analysis identified certain areas where differences will arise.

Disclosure

IFRS 15 is effective from 1 January 2018. It provides for one of two methods of transition; retrospective application to each prior period presented or recognition of the cumulative effect of retrospective application of the new standard as of the beginning of the period of initial application. We have not yet decided which transition method we will use. While we continue to assess the impacts of the standard, based on our initial assessment, we do not expect the adoption of IFRS 15 to have a significant impact on the timing of the Group's revenue recognition. We do expect an acceleration of revenue recognition for certain incentive-based revenues; however incentive-based revenues are not material to the Group's revenue. In April 2016, the IASB issued clarification guidance on principal versus agent considerations. We are currently evaluating the impact of the principal versus agent guidance on certain of our revenues and direct costs; however, we do not expect any change to have a material effect on our results of operations.

Tarsus Group plc

Tarsus is an international business-to-business media group with interests in exhibitions, conferences, education, publishing and online media.

Tarsus do not anticipate a material impact on their income statement, but have quantified a balance sheet adjustment reducing deferred income and trade debtors in respect of forward bookings.

It has built a diverse portfolio of brands that span a wide range of industries and geographies including Tarsus Medical, Zuchex, Music China and HomeTex.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** is a new standard which replaces IAS 18, the existing revenue standard and is effective for periods commencing on or after 1 January 2018. It is based on a 5-step model framework and is based on the principle that revenue is recognised as the Group fulfils its performance obligations. The standard permits either a full retrospective approach or a modified retrospective approach for adoption, Tarsus will adopt the full retrospective approach on transition.

Management have performed an initial assessment of the impact the new standard will have on the Group's revenue recognition and financial statements and concluded that this standard will not have a material impact on the Group's Income Statement. However, Management has identified a potential impact on the Statement of Financial Position. Under IFRS 15, deferred income and trade debtors may not be both recognised where neither the service has been performed nor payment is due by the customer. As the Group has material forward bookings, this would have the following impact in the current year – reduction in deferred income £15.6 million (2016:£10.4 million) and reduction in trade debtors £15.6 million (2016:£10.4 million).

STV plc

STV is a Scottish media company providing consumers with quality content on air, online and on demand.

STV's disclosures are very minimal and do not provide insight on their assessment that the impact will not be material.

STV's broadcast channel reaches 3.5 million viewers each month with programmes such as Emmerdale, The X Factor and Britain's Got Talent. STV's digital business incorporates a popular commercial media website, and includes an enhanced digital news app servicing consumer's local, national and international news. STV Productions is a leading content producing business which has creating shows such as Catchphrase and Antiques Road Trip.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** is effective for periods beginning on or after 1 January 2018. The standard will require the Group to identify distinct promises in contracts with customers that qualify as 'performance obligations'. The price receivable from customers must then be allocated between the performance obligations identified. The Group has completed an assessment on the impact of IFRS 15 and no impact is expected on the revenue streams. The standard will be adopted on 1 January 2018 and applied using the cumulative retrospective transition approach whereby any impact is adjusted through equity at the date of adoption.

ITV Group plc

ITV, as an integrated producer broadcaster, creates, owns and distributes high-quality content on multiple platforms globally.

ITV's brief disclosures quantify the impact of certain reclassifications, although the limited explanations provided do not give a great deal of insight on these adjustments.

ITV operates the largest commercial family of channels in the UK and delivers content through linear television broadcasting as well as on demand via the ITV Hub and across other platforms globally. ITV broadcasts a wide variety of content on its family of free-to-air channels. Their investment in programming is primarily funded by television advertising revenue.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** is effective 1 January 2018. IFRS 15 requires the Group to identify distinct promises in contracts with customers that qualify as 'performance obligations.' The consideration receivable from customers must then be allocated between the performance obligations identified.

An assessment of the impact on all of the Group's material revenue streams has been completed. The impact on the Group's revenues and results is not material for either the Group or for the individual divisions, Broadcasting & Online and ITV Studios.

The changes to the current accounting policies on adoption of IFRS 15 requires the Group to reclassify various costs which are now deemed to be attributable to revenue within the income statement. The impact on the results for the year ending 2017, which is not considered to be material to the Group, either individually or collectively will be:

- **NAR revenue** – reduction of £11 million
- **Other commercial income** – reduction of £1 million
- **Online, pay and interactive revenue** – increase of £10 million
- **Operating costs** – reduction of £2 million

There is no impact on either profit or adjusted EBITDA for the year for the Group or for an individual division.

The Directors adopted IFRS 15 on 1 January 2018 on a fully retrospective basis and will present, within the 2018 financial statements a restatement of the comparative periods.

Mining and Resources

Rio Tinto plc

Rio Tinto is a leading global mining group that focuses on finding, mining and processing the Earth's mineral resources.

Rio Tinto discuss that the requirement to identify separate performance obligations will impact the treatment of freight revenues, but that this is not expected to have a material impact. There are various elements of variable consideration but they do not expect to be required to constrain revenues to a material extent. The disclosures quantify the impact of the requirement in regards to non-cash consideration. It is the Group's intention to adopt the modified transitional approach to implementation, ie recording an adjustment to opening reserves with no restatement of comparatives.

IFRS 15 Revenue from Contracts with Customers (Endorsed by the EU and mandatory in 2018)

The core principle of IFRS 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has reviewed a representative sample of sales contracts at all of its businesses to identify potential changes in: timing of revenue recognition, measurement of the amount of revenue and note disclosure between the current standard, IAS 18 **Revenue**, and IFRS 15. The following points were noted.

The Group sells a significant proportion of its products on Cost and Freight (CFR) or Cost, Insurance & Freight (CIF) Incoterms. This means that the Group is responsible for providing shipping services after the date at which control of the goods passes to the customer at the loading port. Under IAS 18, the Group recognises such shipping and other freight revenue and accrues the associated costs in full on loading whereas under IFRS 15, freight and, where applicable, insurance, are required to be accounted for as separate performance obligations with revenue recognised over time as the service is rendered. The impact is immaterial at 31 December 2017.

The nature of the products sold by the Group is such that adjustments may be made to price if the specification of the product sold does not conform to the terms specified in the sales contract. The Group has considered whether revenue arising from the sales of such products should be constrained under the IFRS 15 rules on variable consideration whereby revenue can only be recognised if it is highly unlikely to reverse. Any such constraints are immaterial at 31 December 2017.

Some of the Group's businesses provide volume discounts in certain circumstances which are recognised under IAS 18 based on the 'best estimate' method. The impact of further constraining such variable consideration under IFRS 15 was immaterial at 31 December 2017.

As explained, certain of the Group's products are provisionally priced at the date revenue is recognised, however, with the exception of copper, prices are generally finalised within the calendar quarter of the month shipment. Such adjustments to revenue are dealt with under IFRS 9, 'Financial Instruments' rather than IFRS 15 and therefore the IFRS 15 rules on variable consideration do not apply. These 'provisional pricing' adjustments will continue to be included in Consolidated sales revenue on the face of the income statement and change to systems have been made to allow the amount of such adjustments to be disclosed by way of note to the financial statements for 2018 onwards.

Revenues from the sale of significant by-products, such as gold, are within the scope of IFRS 15 and will continue to be included in Consolidated sales revenue. Other operating income, for example, the sale of surplus power, which is incidental to the main revenue-generating activities of the operations, is outside of the scope of IFRS 15 and will continue to be treated as a credit to operating costs.

The Group has an 'uplift' arrangement with a partner in a joint operation whereby sales revenue is recognised under IAS 18 when the Group sells products from other operations to its partner to allow it to meet its contractual obligations when insufficient product is available in the jointly owned operation. The Group recognises an asset for products which will be receivable from the partner out of the partner's share or future production of the joint operation. Under IFRS 15, such transactions with partners in joint operations cannot be recognised as sales revenue. The impact on adoption will be to derecognise a receivable of $235 million ($164 million post tax) which has accumulated over prior years as a transition adjustment. There is no impact on the commercial arrangement or current or future cash flows. Sales revenue will be recognised in the income statement in the future when product is received from the partner and sold to a customer. The annual impact is expected to be immaterial (2017: $15 million decrease in sales revenue).

The Group will adopt the modified transitional approach to implementation where any transitional adjustment is recognised in retained earnings at 1 January 2018 without adjustment of comparatives and the new standard will only be applied to contracts that remain in force at that date.

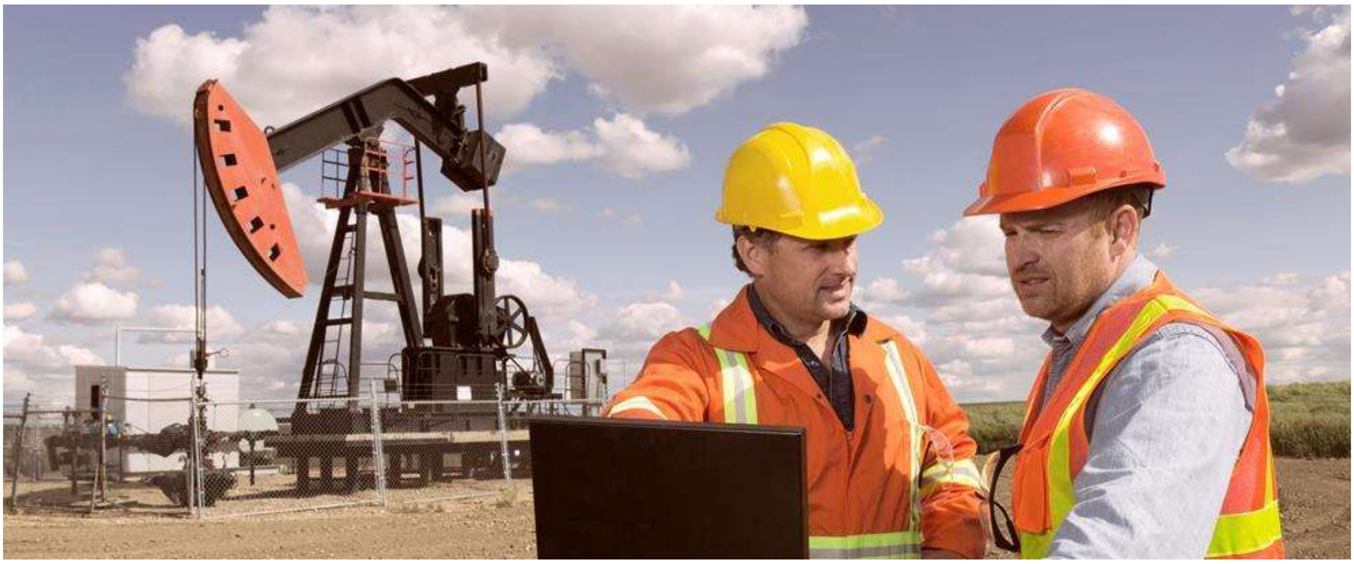
Glencore plc

Glencore has a number of production facilities all around the world and supplied metals, minerals, crude oil, oil products, coal, natural gas and agricultural products to international customers in the automotive, power generation, steel production and food processing industries.

Glencore do not expect any material impact on implementing IFRS 15, although they identify insurance and freight services as an area where recognition is different.

IFRS 15

IFRS 15 applies to **Revenue from Contracts with Customers** and replaces all of the revenue standards and interpretations in IFRS. The standard outlines the principles an entity must apply to measure and recognise revenue and the related cash flows. The Group has undertaken a comprehensive analysis of the new impact of the new standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. As the majority of the Group's revenue is derived from arrangements in which the transfer of risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined by IFRS 15, no material change in respect of timing and amount of revenue currently recognised by the Group are expected. In addition, IFRS 15 requires that 'distinct' promised good or services, such as insurance and freight services to deliver the contracted goods to the customers, if material, be deferred and recognised over time as the obligation is fulfilled. The impact of this change is also not material, however the revenue earned from these activities is required to be separately disclosed and thus there will be presentational changes in our revenue related note disclosures.



Petrofac Limited

Petrofac Limited is a service provider to the oil and gas production and processing industry. The Company designs and builds oil and gas facilities; operates, maintains and manages facilities and trains personnel; enhances production, and develops and co-invests in upstream and infrastructure projects.

Petrofac provides a detailed disclosure on the future adoption of IFRS 15, highlighting five key areas where differences are expected to arise. The impact of IFRS 15 has not been quantified however Petrofac states that it is still completing its impact assessment.

The Company operates through three segments: Engineering & Construction, Engineering & Production Service, and Integrated Energy Services (IES) business. The Engineering & Construction segment provides lump-sum engineering, procurement and construction project execution services to the onshore and offshore oil and gas industry. The Engineering & Production Services includes all reimbursable engineering and production services activities to the oil and gas industry. The Integrated Energy Services business is focused on delivering value from the Company's existing asset portfolio.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a 5-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS (eg IAS 11 **Construction Contracts**, IAS 18 **Revenue** and IFRIC 18 **Transfers of Assets from Customers**). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

It is the Group's current intention to adopt IFRS 15 for the year ending 31 December 2018 and it will confirm which application it will adopt before the start of this accounting period. The Group has performed a preliminary assessment of the impact of adoption of IFRS 15 and is currently evaluating the potential impact on the Group's revenue recognition policies. Further detailed analysis is ongoing. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

Rendering of services

The Group provides lump-sum engineering, procurement and construction project execution services and reimbursable engineering and production services to the oil and gas industry. Currently, the Group accounts for the lump-sum engineering, procurement and construction project execution services contract as a single performance obligation and recognises service revenue by reference to the stage of completion on the overall contract.

The reimbursable engineering and production services contracts are currently segregated into distinct performance obligations based on the assessment that the service is capable of being distinct both individually and within the context of the contract. Currently, the Group accounts for the reimbursable engineering and production services contracts as separate deliverables of bundled sales, allocates consideration between these deliverables using the relative fair value approach and recognises service revenue as and when the services are rendered or by reference to the stage of completion.

Under IFRS 15, revenue recognition must take into account each separate performance obligation and relative stand-alone selling prices. As a result, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these services contracts may be impacted. The Group will continue its analysis during 2017 and provide an update on its progress in the 2017 interim financial statements.

In preparing to adopt IFRS 15 for its services contracts, the Group is considering the following:

- **Variable consideration:** Currently, the Group recognises revenue from the rendering of services measured based on the fair value of the consideration received or receivable, net of any allowances. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint.
- **Warranty obligations:** The Group provides warranties for general repairs and does not provide extended warranties or maintenance services in its contracts with customers. As such, the Group expects that such warranties will be assurance-type warranties which will continue to be accounted for under IAS 37 **Provisions, Contingent Liabilities and Contingent Assets** consistent with its current practice, however further analysis is required.
- **Principal vs agent:** IFRS 15 requires that when other parties are involved in providing goods or services to an entity's customer, the entity must determine whether its performance obligation is to provide the good or service itself (as a principal) or to arrange for another party to provide the good or service (as an agent). Currently, the Group is acting as a principal in providing goods and services to its customers for all contracts. However the Group's Engineering, Procurement and Constructions Management (EPCm) contracts in particular are currently being reviewed in line with the requirements under IFRS 15 to identify if the Group's procurement services under such contracts are provided to the customer as an agent. This may impact the amount of revenue to be recognised.
- **Sale of goods:** In addition to services described above, the Group is also engaged in the sale of crude oil to customers. Contracts with customers in which the sale of crude oil is generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss upon adoption of IFRS 15. The Group expects the revenue recognition to occur at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.
- **Presentation and disclosure requirements:** IFRS 15 provides presentation and disclosure requirements, which are more extensive than under current IFRS. The presentation requirements represent a significant change from current practice and increase the volume of disclosures required in Group's financial statements. The Group is in the process of assessing its current systems, internal controls, and policies and procedures, and will make the necessary changes to collect and disclose the required information.

Non-Food Consumables

Bunzl plc

Bunzl are a leading specialist distribution Group with operations in 30 countries across five continents.

Bunzl explain why they conclude there will be no material impact on implementing IFRS 15.

Bunzl supply a wide range of consumable products such as:

- Food packaging
- Disposable tableware and catering equipment
- Cleaning and hygiene supplies
- Guest amenities
- Personal protection equipment
- Packaging and healthcare consumables to various customer markets including grocery
- Foodservice
- Cleaning and hygiene *s*afety
- Non-food retail and healthcare

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** is effective in the consolidated financial statements for the year ending 31 December 2018. IFRS 15 requires companies to apportion revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied. The vast majority of the Group's revenue is generated from the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. During the year the Group carried out a detailed assessment of its other revenue streams and assessed the revenue recognition policies for these goods and services against the requirements of IFRS 15. The Group's other revenue generating activities represent circa 1% of total revenue. The majority of this revenue relates to design and fit-out services for foodservice customers and fulfilment services where the Group does not take title to inventory. Having assessed these and other services performed, the Group has determined that the recognition of revenue under IFRS 15 does not differ materially from current accounting practice. Accordingly, based on the Group's assessment, the application of IFRS 15 is not anticipated to have a material impact on the timing of revenue recognition and is not anticipated to have a material impact on the Group's operating profit or financial position. Therefore the adoption of IFRS 15 is not expected to lead to a restatement of the 2017 consolidated income statement in the 2018 Annual Report. The Group will adopt IFRS 15 on 1 January 2017 using the retrospective approach.

Oil and Gas

BP plc

BP plc is a British multinational oil and gas company headquartered in London.

BP operates in all areas of the oil and gas industry, including exploration, production, refining, distribution, petrochemicals, power generation and renewable energy.

> BP explain that for the most part recognition of revenue from the sale of their products at the point in time at which control is transferred will not result in significant differences. They have identified one particular area of change arising specifically in the way they account for revenue in joint operations, but this is not expected to be material. They provide an illustration of the anticipated disclosure of revenues disaggregated by product grouping.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** was issued in May 2014 and replaces IAS 18 **Revenue** and certain other standards and interpretations. IFRS 15 provides a single model of accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations. BP will adopt IFRS 15 in the financial reporting period commencing 1 January 2018 and has elected to apply the 'modified retrospective' transition approach to implementation.

Under IFRS 15, **Revenue from Contracts with Customers** is recognized when or as the group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids, LNG, petroleum and chemical products, and other items sold by the group usually coincides with title passing to the customer and the customer taking physical possession. The group principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the group's current practice for recognizing revenue from sales to customers.

Certain changes in accounting arising from the implementation of IFRS 15 have been identified but the new standard has had no material effect on the group's net assets as at 1 January 2018 and so no transition adjustment will be presented.

The most significant change identified is the accounting for revenues relating to oil and natural gas properties in which the group has an interest with joint operation partners. From 1 January 2018, BP ceased recognizing revenue in relation to the group's entitlement to the production from oil and gas properties based on its working interest, irrespective of whether the production was taken and sold to customers.

In its 2018 financial statements the group will recognize revenue when sales are made to customers and production costs will be accrued or deferred to reflect differences between volumes taken and sold to customers and the group's ownership interest in total production volumes. This may result in changes in revenues and profits recognized in each period, but there will be no change in the total revenues and profits over the duration of the joint operation. Variability in oil and gas prices and the timing of when each partner in a joint operation takes its share of production mean that the precise impact on the group's revenues and profits in any particular future period is uncertain. However, the impact on the group's reported net assets and its reported profit for the year ended 31 December 2017 of applying this accounting would not have been material.

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. It is the group's intention to provide additional disclosure of revenue from contracts with customers disaggregated by product grouping. The group's sales and other revenues as reported for 2016 and 2017 by product grouping are presented below:

$ million	2017	2016
Crude oil	49,670	32,284
Oil products	159,821	126,465
Natural gas and NGLs	16,196	11,337
Non-oil products and other operating revenues from contracts with customers	12,538	11,487
Revenue from contracts with customers*	238,225	181,573
Other revenues	1,983	1,435
Sales and other operating revenues*	240,208	183,008

*Amounts presented for 2016 and 2017 include revenues from the production of oil and natural gas properties in which the group has an interest with joint operation partners determined using the entitlements with customers or Sales and other operating revenues that would have been reported for those periods had IFRS 15 been applied using a fully retrospective transition approach. The differences are not significant. No restatement of prior periods will be made in relation to this change.

Online Food Delivery

Just Eat plc

Just Eat is an online food order and delivery service. It acts as an intermediary between independent take-out food outlets and customers.

The platform allows customers to search for local take-out restaurants to place orders online, and to choose from pick-up or delivery options. It is headquartered in the UK and operates in 13 countries in Europe, Asia, Oceania and the Americas.

Just Eat do not expect a material difference – the only area of change identified relating to ‘connection fees’ which will be recognised over the period of the expected life of the relationship with their restaurant partners.

IFRS 15

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statement, or with the cumulative impact of IFRS 15 applied as an adjustment to equity on the date of adoption. When the latter approach is applied, it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group has not yet determined which method will be adopted.

IFRS 15 provides a single, principles-based 5-step model to be applied to all contracts with customers:

1 Identify the contract with the Customer

2 Identify the performance obligations in the contract, introducing the new concept of ‘distinct’

3 Determining the transaction price

4 Allocating the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis

5 Recognise revenue when (or as) the entity satisfies its performance obligation.

IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration and contract modifications. It requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised over the period an entity expects to benefit from the customer relationship.

Management has conducted a detailed accounting scoping analysis across each of the Group’s operating segments and their various revenue streams. Management has assessed accounting implementation approaches for each revenue stream based on the potential materiality, complexity and volatility of the impact.

Qualitatively, management expects no change in the treatment of order-driven revenue, top-placement fees and most of other revenue. The revenue stream with a change under IFRS 15 is connection fees, which are currently being deferred between 12 and 36 months. From 2018, the performance obligations relating to connection fees will be deemed to have been satisfied over the average life of a Restaurant Partner’s relationship, which management has estimated to be 48 months. Under both of the IFRS 15 transition options available, the impact of this change is not expected to be material to the Group.

Packaging

MPAC Group plc

The MPAC Group is a leading corporate compliance and regulatory advisory firm in the UK. It offers multiple service lines including; compliance & regulatory advisory, anti-money laundering & financial crime, training, due diligence, Finance & Reporting and secretarial services.

MPAC do not provide much explanation but state that revenues currently recognised under IAS 11 will continue to be recognised over time, while the control-based model under IFRS 15 will not change the timing of revenues currently recognised under IAS 18.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** – the standard, which will be adopted for the year ending 31 December 2018, will supersede IAS 11 **Construction Contracts** and IAS 18 **Revenue**, which the Group and Company currently adhere to. IFRS 15 is a control-based model where revenue is recognised when control of an asset (goods or services) passes. The criteria, based on a 5-step approach, for determining whether control is transferred could potentially result in different patterns of revenue recognition than those previously seen under IAS 11 and IAS 18.

The 5-steps, as set out in IFRS 15, are as follows:

1 Identify the contract with a customer

2 Identify the performance obligations in the contract

3 Determine the transaction price

4 Allocate the transaction price to the performance obligation in the contract

5 Recognise revenue when (or as) the entity satisfies a performance obligation

For all significant contracts where the outcome of the transaction can be assessed reliably the Group and Company apply IAS 11 **Construction Contracts** with reference to the assessed stage of completion, based on an estimate of labour costs completed at the statement of financial position date as a proportion of total expected labour costs for the contract. The Company has assessed whether revenue on those same contracts can be recognised on a similar basis over time using the labour cost completion input method and concluded that there is not expected to be a material change in the timing of revenue recognition.

For revenue relating to other contracts currently recognised under IAS 18 **Revenue** when the significant risks and rewards of ownership transfer to the customer, the business has assessed whether the transfer of control under IFRS 15 will result in the timing of revenue recognition being materially different. The Company has concluded that there is not expected to be a material change in the timing of revenue recognition for the 2017 accounts.

Pharmaceuticals

Smith & Nephew plc

Smith & Nephew is a British multinational medical equipment manufacturing company. It is an international producer of advanced wound management products, arthroscopy products, trauma and clinical therapy products and orthopaedic reconstruction products.

Smith & Nephew explain the process they have undertaken to conclude there will be no material impact on implementing IFRS 15.

The Group has undertaken a detailed impact assessment applying IFRS 15 to all the current ways in which the Group delivers products or services to customers to identify divergence with current practice and has concluded that IFRS 15 will not have a significant impact on the timing and recognition of revenue. The performance obligations involved in the sale of an orthopaedic implant are all considered to occur at the time of procedure giving rise to no difference in the timing of revenue recognition. The instrument set and implant used in an orthopaedic procedure are considered to be part of a single performance obligation. In line with past practice we will continue to measure and recognise revenue based on invoiced amounts at the time of the procedure. Revenue recognised on the sale of products in our other surgical and wound businesses have also been considered with reference to IFRS 15 with no impact identified in relation to the timing and measurement of revenue. The Group has also considered the impact on provisions for returns, trade discounts and rebates and has determined that the current policy is aligned with IFRS 15.

The Group intends to apply the practical expedients in IFRS 15 to 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 all reporting periods presented before 1 January 2018. The Group also intends to apply the practical expedients in relation to contracts with variable consideration and contractions that were completed at the beginning of the earliest period presented and/or modified before the beginning of the earliest period presented. The Group has concluded that applying these practical expedients will not have a significant impact on the timing, measurement and recognition of revenue.

The group has assessed the disclosure requirements of IFRS 15 and has preliminarily determined that the majority of the disclosures are either currently included in the financial statements or can be prepared using data currently available. The Group continues to assess the disclosure requirements in relation to unsatisfied performance obligations and the disaggregation of revenue.

GSK plc

GSK is a British pharmaceutical head company headquartered in London.

It has three key focuses:

1 Pharmaceuticals, focusing on developing new medicines in respiratory and HIV/infectious diseases, oncology and immune-inflation

2 Vaccines

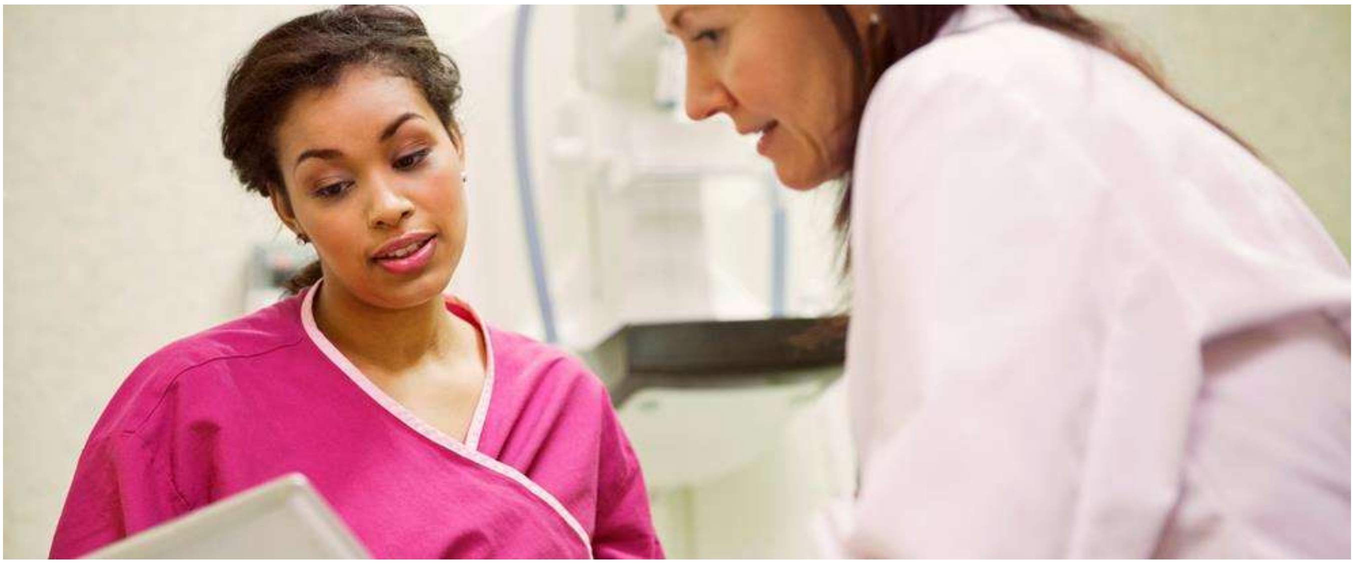
3 Consumer Healthcare, developing products in oral health, pain relief, respiratory, nutrition/gastro-intestinal and skin health categories.

GSK's brief disclosure quantifies an immaterial adjustment of £4 million but does not explain the changes in treatment which give rise to this adjustment.

IFRS 15

IFRS 15 **Revenue from contracts with customers** was issued in May 2014 and has been implemented by the Group from 1 January 2018. The Standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations are satisfied.

The new Standard is not expected to have a material impact on the amount or timing of recognition of reported revenue. In its financial statements for 2018, GSK will adopt IFRS 15 applying the modified retrospective approach, with a cumulative adjustment to decrease equity at 1 January 2018 by approximately £4 million. In accordance with the requirements of the Standard where the modified retrospective approach is adopted, prior year results will not be restated.



AstraZeneca plc

AstraZeneca plc is a multinational pharmaceutical and biopharmaceutical company.

Astra Zeneca explain why they conclude there will be no material impact on implementing IFRS 15.

It has a portfolio of products for major disease areas including cancer, cardiovascular, gastrointestinal, infection, neuroscience, respiratory and inflammation.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** is effective for accounting periods beginning on or after 1 January 2018 and will replace existing accounting standards. It provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to the customers at a value which the Company expects to be entitled to receive. The standards also updates revenue disclosure requirements. The standard was endorsed by the EU on 22 September 2016. The Group will retrospectively apply the standard from 1 January 2018 recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings.

The standard will not have a material impact on our revenue streams from the supply of goods and associated rebates and returns provisions. The timing of the recognition or product sales and the basis for our estimates of sales deductions under IAS 18 are consistent with those to be adopted under IFRS 15.

Our present accounting for externalisation transactions under IAS 18 includes an analysis of the performance obligations under the arrangement and upfront revenue recognition requires the transfer of substantive rights, for example a licence to use our intellectual property and an appropriate allocation of revenue to the remaining performance obligations. While the basis for such allocation is different in IFRS 15, the impact of the adoption of the new standard on our historical allocations is not material. The licences we grant are typically rights to use our intellectual property, which does not change during the period of the licence. Those licences are generally unique and therefore the basis of allocation of revenue to performance obligations makes use of the residual approach as permitted by IFRS 15. The related sales milestones and royalties to these licences qualify for the royalty exemption available under IFRS 15 and will continue to be recognised as the underlying sales are made. Furthermore, there is no material change to the assessment of whether the performance obligations are distinct from applying the new standard.

Property and Construction

Taylor Wimpey plc

Taylor Wimpey plc is one of the largest British based housebuilding companies, focusing on building high quality, attractive homes and communities.

IFRS 15 **Revenue from Contracts with Customers** was issued in May 2014 and amended in September 2015. This standard will be applicable to the Group from 1 January 2018. The standard sets out requirements for revenue recognition from contracts with customers. The standard uses a 5-step model to apportion revenue to the individual promises, or performance obligations, within a contract.

The timing of revenue recognition and therefore number of units, on some long-term contracts may be brought forward. The effect of these changes on operating profit margin will be immaterial as the timing of revenue recognition for most of the Group's long-term contracts will not change on adoption of IFRS 15.

Taylor Wimpey have identified certain areas of difference under IFRS 15 including treatment of part exchange deals, introductory fees and measurement of progress on long term contracts. Little detail is provided to explain these differences, and they state that none has a material impact. The treatment of part exchange deals is different to Persimmon's assessment.

The standard will require presentational changes to the consolidated income statement to show part exchange income and expenses separately below gross margin rather than on a net basis within cost of sales. Part exchange is not a significant element of the Group's operations so as such, this impact will be negligible on gross profit margin and have no impact on operating profit margin.

Introductory fees are currently deducted from revenue but under the new standard will be recognised in cost of sales. These fees are immaterial to the Group and will not impact operating profit margin.

The above items will have no effect on the Group's cash flows.

Persimmon plc

Persimmon plc is a British housebuilding company headquartered in York. It builds under brands including Persimmon, Charles Church, Westbury Partnerships and Space4.

Interestingly Persimmon appear to be anticipating a different treatment for part exchange deals than Taylor Wimpey, but with little detail provided it is difficult to gauge why the two companies have reached different conclusions.

IFRS 15 **Revenue from Contracts with Customers** will be effective and will be applied by the Group from 1 January 2018. Currently the Group recognises revenue at the fair value of the consideration received or receivable on the legal completion of a residential property. On applying IFRS 15 revenue from the sale of residential properties will continue to be recognised on a consistent basis and will also include the fair value of the consideration received or receivable on the sale of part exchange properties. The revenues associated with the sale of part exchange properties are currently included as a reduction in costs of sales as the purchase and sale of part exchange properties is recognised as a mechanism for selling. Applying IFRS 15 will result in an increase to both revenue and cost of sales. There will be no impact on the reported profit from operations but there will be a decrease in the reported operating margin. There would be no impact on the Group’s cash flows.

Were IFRS 15 applied to the years ended 31 December 2017 and 2016 both revenue and cost of sales would have been increased by £175.5 million and £176.8 respectively. Reported profit from operations would have remained at £955.1 million for 2017 and £770.5 million for 2016. Reported operating margin for 2017 would have decreased to 26.5% from 27.9%, with 2016 decreasing from 24.6% to 23.3%.

Rightmove plc

Rightmove runs the UK's largest online real estate portal and property website. Rightmove makes money from listing estate agents on its website and offering additional advertising products to those agents.

Rightmove state that a detailed analysis has been performed but do not provide a great deal of detail other than to state that the impact will not be significant.

The adverts are visible to users who search for the area chosen by the estate agent. Individuals selling property privately are prohibited from advertising on the site. Each month, Rightmove release a House Price Index, illustrating any changes in the asking prices of houses throughout England and Wales.

Disclosure

At present revenue is recognised either over time where there is continuing service provided by Rightmove to the customer or at the point in time when the risks and rewards of ownership transfer to the customer. Under IFRS 15 revenue will be recognised when performance obligations are satisfied. For the Group the transfer of control under IFRS 15 and satisfaction of performance obligations is over time. We have undertaken a detailed analysis of the impact of IFRS 15 on the Group which has shown that the recognition of revenue will be consistent with the transfer of risks and rewards to the customer under IAS 18. We have concluded following this assessment that the implementation of IFRS 15 will not have a significant impact on the Group's consolidated financial statements.

British Land Company plc

The British Land Company plc is one of the largest property development and investment companies in the UK.

The Company highlights that while rental income is not in scope of IFRS 15 (since covered by IAS 17 Leases), their other sources of revenue will be impacted, although this is not expected to be material.

It focuses on high quality retail and London offices. Their portfolio includes 122 Leadenhall Street, 5 Broadgate, Surrey Quays Shopping Centre and Harmsworth Quays.

Disclosure

IFRS 15 **Revenue from Contracts with Customers**, does not apply to gross rental income, but does apply to service charge income, management and performance fees and trading property disposals and is effective for the Group's year ending 31 March 2019. The Group does not expect adoption of IFRS 15 to have a material impact on the measurement of revenue recognition, but additional disclosures will be required with regards to the above sources of income.

Barratt Developments plc

Barratt Developments is a residential property development company. It operates across three consumer brands; Barratt Homes, David Wilson and Barratt London offering a range of developments.

Barratt also has a commercial business, Wilson Bowden who develop spaces from industrial and office buildings, to retail and leisure.

The company states that it has continued, but is yet to complete, its assessment of the impact of the Standard. Barratt expects that the Standard may delay recognition of its revenue from construction contracts without affecting cash flows. It also expects that the new Standard will require presentational changes in the income statement to show separately part exchange income and expenses, which are currently presented net within cost of sales.

Disclosure

IFRS 15 **Revenue from Contracts with Customers** was issued on 28 May 2014. This standards sets out revenue recognition conditions for the Group and will be applicable from 1 July 2018. The standard remains subject to an exposure draft with proposed clarifications as well as being subject to an exposure draft with proposed clarifications as well as being subject to industry interpretations and consensus. The Group has continued, but not yet completed, its assessment of the impact of the standard, as currently drafted, on the Group. To date, we expect the standard may delay the recognition of revenue from construction contracts, although this will not affect the Group's cash flows. In addition, the standard is expected to require presentational changes to our Income Statement to show part exchange income and expenses separately, which are currently recognised on a net basis within cost of sales. It is not practical to provide a reasonable estimate of the full impact of IFRS 15 until our assessment has been completed, which we expect to be within the year ended 30 June 2016, subject to the finalisation of the standard, and therefore we will provide further disclosures upon the impact of IFRS 15 in our Annual Report and Accounts next year.

Costain Group plc

Costain Group plc is a British technology based construction and engineering company.

It offers numerous services including consultancy, complex delivery, technology and asset optimisation across a number of sectors, such as rail, highways, power, water, nuclear, oil and gas.

Identification of separate performance obligations and the resultant change in timing of revenue recognition results in an opening adjustment of £4.7 million.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** was issued in May 2015 and will be effective for the Group for the accounting period beginning 1 January 2018.

IFRS 15 replaces existing revenue recognition standards: IAS 11 **Construction Contracts** and IAS 18 **Revenue** and moves away from the 'risks and rewards' concept of revenue recognition used by IAS 18 to a concept of 'transfer of control'. Its core principle is that revenue should be recognised when (or as) and entity transfers control of goods or services to a customer. The standard is intended to bring greater transparency and comparability to financial reporting. The Group will adopt the modified retrospective transition approach to the standard.

The main change for Costain from the adoption of IFRS is the separation of individual, distinct performance obligations within its framework and multiple revenue stream type contracts. Where the outcome of a long-term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the whole contract. Stage of completion is assessed by reference to the proportion of contract costs incurred for the work performed to date relative to the estimated total costs.

Under IFRS 15, revenue will be spread over the expected life of each individual performance obligation rather than in line with the total costs profile. This results in a reduction in revenue recognised in periods prior to 1 January 2018 and a corresponding decrease in amounts due from customers for contract work in the statement of financial position of £5.7 million.

This will be reflected by a decrease in opening retained earnings as at 1 January 2018 of £4.6 million, net of tax. It will reverse over the remaining periods of the contracts.

There is no impact on the commercial activities, lifetime profitability or cash flows of the Group, as a result of the adoption of this accounting standard.

Publisher

Trinity Mirror plc

Trinity Mirror is a British newspaper, magazine and digital publisher. It includes publications such as the Daily Mirror, Sunday Mirror and People.

Trinity Mirror's disclosure states that there will be no material impact on the Group.

The assessment of the impact of IFRS 9 (Amended)'**Financial Instruments** and IFRS 15 (Issued) **Revenue from Contracts with Customers** (both effective for periods beginning on or after 1 January 2018) revealed that, when adopted, these standards will have no material impact on the Group.

Recruitment

Staffline plc

Staffline plc is a leading outsourced workforce provider, who work on site at their client's businesses.

Interestingly Staffline have chosen to discuss the impact of implementing IFRS 15 not in their IAS 8 disclosures, but in their Front End within the CFO's Report.

IFRS 15 Revenue from Contracts with Customers

During 2017, a project has been undertaken within both divisions to understand the impact of IFRS 15 **Revenue from Contracts with Customers** on our revenue recognition policies. Our Recruitment division revenue accounting policy, detailed within the accounting policies section of this Annual Report, is unaffected by the application of this new standard as we currently recognise revenue once a performance obligation has been delivered.

Our PeoplePlus division has several contracts, all of which have different performance obligations. Our finance team have reviewed the contracts and concluded that, in most cases, our accounting policy is unaffected by the application of this new standard. We have a number of similar contracts where our contractual obligation relates to helping individuals gain employment and stay in employment for a specified period of time. Payments under these contracts are staged in relation to the number of weeks the individual is employed. Currently revenue is recognised as and when a stage payment is due. Under IFRS 15 this single obligation will be settled over time and therefore all revenues will be recognised over the period specified in the contract. This amendment at transition in 2018 will result in an estimated increase in our 31 December 2017 revenue by £0.5 million, an increase of £0.5 million in our profit before taxation from £24.1 million to £24.6 million and a reduction in the Group's net assets by £1.0 million to £94.8 million.

Impellam Group plc

Impellam Group plc provide managed services, talent development services and specialised recruitment services.

Impellam Group provides detailed disclosures for each revenue stream, detailing how revenue will be recognised under IFRS 15. The Group also highlight key disclosure requirement changes that will arise on transition.

IFRS 15 was issued in May 2014 and establishes a 5-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018 (for the Group this will apply for our December 2019 year-end). It is the Group's current plan to adopt the new standard on the required effective date using the full retrospective method.

The Group is in the business of providing recruitment and staffing services. IFRS 15 requires revenue to be recognised once value has been received by the customer and when the performance obligations have been satisfied. IFRS 15 also prohibits the recognition of up-front fees. During 2017, the Group performed a preliminary assessment of IFRS 15, which is subject to change arising from a more detailed ongoing analysis. As a result of this preliminary assessment, the Group does not expect any adjustment to be material. Further detail is included below. In preparing to transition to IFRS 15, the Group is considering the following:

- **Temporary revenue (c.81% of revenue):** This represents amounts billed for the service of temporary staff, including the salary costs of these staff, and is recognised when the service has been provided (pay/bill basis). The Group does not anticipate any change as a result of the transition to IFRS 15.
- **MSP Fees (c.16% of revenue):** This represents amounts billed for Managed Services where the assignments are filled directly by the provider, other Group companies or second-tier agencies. The revenue is recognised in the same way as temporary revenue, ie when the service has been provided. The Group does not anticipate any change as a result of the transition to IFRS 15.
- **Contingent basis (c.1% of revenue):** This is revenue recognised from permanent placements, typically based on a percentage of the candidate's remuneration package. This income is recognised once the candidate starts the placement. The group is satisfied that the basis of revenue recognition remains appropriate as our only performance obligation (commencement date of the candidate) reflects our current policy and therefore do not expect any adjustment as a result of transition to IFRS 15.
- **Other revenue (c.2% of revenue):** This includes revenue from payroll fees, provision of healthcare services, statement of work activity and other management and related fees. The majority of these are billed to clients that the time the expense occurred. The Group does have revenue it recognises over a period of time (Statement of Work – SOW, c. 0.3% of revenue), particularly in the construction business where the client contract is to provide workers to achieve a project deadline. This revenue is recognised over the course of the contract and in line with agreed performance obligations. Therefore the Group does not expect any adjustment as a result of transition to IFRS 15.

In addition to revenue, the Group has reviewed rebates and commissions. All rebates are recognised over the contract period and deducted from revenue, therefore the Group does not expect any adjustment as a result of transition to IFRS 15.

The Group pays commissions to the majority of its consultants, linked to financial performance, fill rates, sales or a combination of targets. In the context of IFRS 15, sales commissions will be amortised through cost of sales. Therefore, if sales commissions are currently recognised in administration expenses, gross margin (but not EBITDA) would be lower under the new standard. The Group has identified that there were commissions paid in 2017 that would be classed as sales commissions under IFRS 15, and therefore would be reclassified from administration expenses to cost of sales, thus reducing margin.

IFRS 15 also provides presentation and disclosure requirements, which are more detailed than under current IFRS and may result in an increase in the volume of disclosures required in the Group's financial statements. IFRS requires an entity to provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group has already commenced a review of the required disclosures, appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

Gattaca plc

Gattaca provides outsourced staffing solutions and specialist recruitment services across engineering and technology.

The Board needs to assess the impact of [IFRS 15] based on the Group's current business model and accounting policies. The Group does not intend to apply any of these pronouncements early.

Gattaca provides barely any disclosure on IFRS 15, stating that the Board still need to assess its impact.

Sthree plc

Sthree is a global staffing organisation providing specialist services in STEM industries (science, technology, engineering and mathematics).

Sthree are not anticipating that IFRS 15 will have a material impact and have disclosed that they are not looking to early adopt the standard.

During 2017, the Group performed an initial impact assessment of IFRS 15. The preliminary results indicate that the adoption of IFRS 15 will not have a significant impact on the Group. Under IFRS 15 revenue from permanent placements will continue to be recognised on the day when a recruited employee starts their job and will be based on a percentage of the candidate's remuneration package. Contract revenue, which represents amounts billed or accrued for the services of temporary staff, will continue to be recognised when the service has been provided. The Group also earns revenue from 'retained' assignments. A typical 'retainer' agreement is based on the following three stages:

1 A percentage of the fee is payable by the client before the recruitment consultant starts the search

2 A second payment is due when a pre-agreed milestone has been met

3 The remainder of the fee is payable on the appointment of a candidate The Group is in the process of evaluating the impact of adoption of IFRS 15 on 'retainer' income.

However, as this revenue stream represents a low percentage of total revenue, the Group does not anticipate that IFRS 15 will have a significant impact. The Group will start reporting under the new standard during the financial year ending on 30 November 2019. At present there is no plan for the Group to adopt this standard early.

Hays Group plc

Hays Group plc is a recruitment agency across a number of sectors. Fees are primarily earnt on a contingent basis, when they have successfully placed a candidate, and this is usually based on a percentage of candidate's pay.

Hays Group's disclosure is very brief despite stating that a comprehensive assessment has been performed. They are, however, not expecting material changes when applying IFRS 15.

An assessment of the impact of IFRS 15 has been completed following a comprehensive review of the contracts that exist across the Group's revenue streams. The review has concluded that revenue recognition under IFRS 15 is expected to be consistent with current practice for the Group's revenue and had IFRS 15 been applied in the current reporting period, it would not have had a material impact on the financial statements.

Capita plc

Capita is a leading provider of business process management and integrated professional support service solutions.

Capita plc prepared a separate IFRS 15 presentation to detail its impact after early adopting it for the year ended 31 December 2017. They have applied the full retrospective transition approach with a significant reduction in revenue recorded. Their debt covenants have been updated to take into account the changes expected from IFRS 15.

Key points from their IFRS 15 presentation

No impact on Capita's cash flow
Changes the way revenue is recognised – a matter of timing
Does not change lifetime revenue or profits of contracts
New contracts may give rise to losses in early years
Fully retrospective approach: three years of comparative results under IFRS 15 by end 2018
Balance sheet will look very different under IFRS 15 – contract fulfilment assets (created in the process of transforming services) and significant deferred income (in relation to contracts where payments have been received from clients to undertake transformation in advance of delivering planned outcomes)
Revenue more evenly distributed over the life of contracts and active software licences
Revenue down £225 million, operating profit down £146 million, decrease in net assets of £1,039 million. No change in operating cash balances
Covenants have been updated to reflect changes in IFRS 15, previous years will not be retested for covenants now that figures have been restated

Financial Statements Disclosure

We have adopted IFRS 15 from 1 January 2017 using the full retrospective method, thereby restating the 2016 comparatives, to provide investors with clarity on the impact of the new accounting standard in a transitional period for Capita, in line with our strategy of simplifying the business and improving transparency. This was a significant project and I would like to thank all concerned for delivering it.

IFRS 15 gives rise to changes in the timing of revenue and cost recognition but will not impact upon the lifetime profitability of contracts, the cash flow of contracts of the majority of our transactional businesses. The main changes for Capita from the adoption of IFRS 15 are on its long-term contracts and software business, in particular:

- Revenue is more evenly phased over the life of contracts and active software licences in line with the delivery of outcomes to clients and, consequently, the timing of profits is re-profiled
- We will potentially recognise lower profits or make losses in the early years of contracts where there are significant upfront restructuring costs or higher operating costs prior to transformation, with a compensating increase in profits in later years. The total net impact at Group level is a function of the balance of contracts in the early stage or late stage of their life cycle at transition to IFRS 15 and in subsequent years. As a result, contract profits, and in certain cases contract losses, are now reported in the prior periods
- The Group's balance sheet includes new contract fulfilment assets created in the process of transforming services; and a significant increase in the level of deferred income in relation to contracts where payments have been received from clients to undertake work prior to the recognition of revenue and planned outcomes being delivered. For some contracts, in particular the Life and Pensions business, there are instances where this creates future profits in excess of future cash inflows. The majority of deferred income will unwind within the following 12 months and Capita aims to replace this with similar advanced payments subject to addition or changes in the Group's contract portfolio
- The net impact of the recognition of the deferred income balances, contract fulfilment assets and other movements has resulted in the Group recording consolidated net liabilities, which were £929.8 million as at 31 December 2017 (2016: net liability £552.9 million)
- Contract terminations arising in the normal course of business may give rise to the disposal of a contract fulfilment assets and/or a true up of revenue recognised, which if material, may give rise to one-off gains or losses. Such amounts are included in the underlying operating profit and separately disclosed if considered material
- Due to the changes in the pattern and timing of revenue and cost recognition under IFRS 15, and the recognition of a deferred income liability and contract fulfilment assets on the balance sheet from 1 January 2016, the principles of IAS 12 give rise to a movement in deferred tax, primarily an increase in the deferred tax asset recognised

The adoption of IFRS 15 will increase our focus upon efficiency and performance within the business, better aligning our financial results with the value delivered to its clients.

Retail

Domino's Pizza Group plc

Domino's Pizza Group is a United Kingdom based master franchise of international fast food pizza delivery chain Domino's Pizza.

Domino's disclosures are very light and state they do not expect significant impact in any of their activities.

The company holds the exclusive right to own, operate and franchise branches of the chain the UK, Ireland, German, Switzerland, Liechtenstein and Luxembourg.

IFRS 15 introduces a 5-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The Group recognises revenue from the following principal activities:

- Royalties, franchise fees and sales to franchisees;
- Corporate store sales; and
- Rental income on leasehold and freehold property.

Rental income on leasehold and freehold property fall outside of the scope of IFRS 15. An assessment of the impact of IFRS 15 has been completed on revenues and recognition under IFRS 15 is expected to be materially consistent with current practice for the Group's revenue. Had the principles of IFRS 15 been applied in the current reporting period, it would not have had a significant impact on the financial statements.

Marshall Motor Holdings plc

The Group's primary activities are the sale and repair of new and used passenger and commercial vehicles through Marshall Motor Group.

Marshall do not expect a material impact and their disclosures are quite minimal.

The Group's businesses are integrated and include over 100 franchises covering multiple brands, including Jaguar, BMW, Volkswagen and Kia.

IFRS 15

In May 2014 the IASB issued IFRS 15 **Revenue from Contracts with Customers,** a new standard covering the measurement and timing of revenue recognition, which replaces IAS 18 **Revenue** and IAS 11 **Construction Contracts**. IFRS 15 requires revenue to be recognised in accordance with the timing of when control of a good or service transfers to a customer at an amount which represents the consideration to which the Group is expected to be entitled to receive in exchange for the goods or services transferred. IFRS 15 also requires additional disclosures.

IFRS 15 is effective for accounting periods commencing on or after 1 January 2018. The Group will apply IFRS 15 for the first time in the interim report for the six months ending 30 June 2018 and the annual report for the year ending 31 December 2018. The Group intends to adopt the standard using the cumulative effect method; therefore the cumulative impact on transition will be recognised in retained earnings as of 1 January 2018 and comparatives for 2017 will not be restated.

An impact assessment has been carried out during which sales agreements and contractual documents from each of the Group's core revenue streams have been reviewed. The 5-step model in IFRS 15 has been assessed, including identifying when a contract exists, identifying distinct performance obligations and determining and allocating the transaction price.

The Group has reviewed its revenue from contracts with customers and is not expecting any material impacts from the adoption of IFRS 15

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Tesco plc

Tesco plc is a British multinational groceries and general merchandise retailer. Originally a UK grocer, Tesco has diversified geographically with stores across Asia and Europe.

It has also expanded into petrol, financial services, telecoms, internet services, clothing, furniture and toys.

Tesco do not anticipate a material impact on implementation of IFRS 15, although they have identified discrete areas where revenue recognition will change, including loyalty points.

IFRS 15

IFRS 15 **Revenues from Contracts with Customers** is effective for periods beginning on or after 1 January 2018. IFRS 15 introduces a 5-step approach to the timing of revenue recognition based on performance obligations in customer contracts.

The Group recognises revenue from the following principal activities:

- Retailing and associated activities; and
- Retail banking and insurance services through Tesco Bank.

An assessment of the impact of IFRS 15 has been completed. Revenue recognition under IFRS 15 is expected to be consistent with current practice for the Group's revenue, with the exception of Clubcard loyalty points, certain telecommunication contracts and certain bespoke contracts fulfilled by dunnhumby, where the timing of revenue recognition will change. Had the principles of IFRS 15 been applied in the current reporting period, it would not have had a significant impact on the financial statements.

McColls Retail Group plc

McColls Retail Group is a British convenience shop and newsagent operator, trading under the names McColls (for convenience shops), Martins (newsagents and pound shops) and RS McColl for shops in Scotland.

McColl's disclosures are very minimal and they do not anticipate any material adjustments.

McColls also operates post offices in some stores.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for periods beginning on or after 1 January 2018. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. It applies to all contracts with customers, except those in the scope of other standards. It replaces that separate models for goods, services and construction contracts under the current accounting standards. The Group believes that the adoption of IFRS 15 will not have a material impact on its consolidated results.

Sports Betting and Gaming

William Hill plc

William Hill is a bookmaker operating worldwide.

The majority of William Hill's revenues are not within the scope of IFRS 15 and therefore are expecting an immaterial impact on the adoption of IFRS 15.

IFRS 15 **Revenue from Contracts with Customers** establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, with an effective date for accounting period beginning on or after 1 January 2018. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, ie when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group's core revenues of sports betting and gaming are not within the scope of IFRS 15. Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software licencing income, bookmaking services income and income from software development. Rents receivable is also not within the scope of IFRS 15.

Early assessment of the new standard suggests that the performance obligations of bookmaking software licensing income, bookmaking services income from software development 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 Group expects there to be an immaterial impact on the financial statements on adoption of IFRS 15.

Support Services

Serco plc

Serco specialise in the delivery of essential public services, with over 50,000 people working in defence, transport, justice, immigration, healthcare and other citizen services across four regions.

Serco are still in progress with their evaluation of the impact but outline their intention to adopt the modified retrospective approach to implementation ie recording an adjustment to opening reserves with no restatement of comparatives.

Disclosure

IFRS 15 **Revenue from Contracts with Customers** has been endorsed by the EU and will be effective from 1 January 2018.

This new standard supersedes:

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

The new standard is intended to bring greater transparency and comparability to financial reporting.

IFRS 15 could result in a delay of revenues and profits over those previously recognised, in particular with respect of percentage to completion accounting and where elements of revenues associated with transition activities (also referred to as 'phase in') have been recognised in the early stages of contracts. A project to assess the full impact of the new standard is in its final stages but it is not possible to provide the quantum of any such impact at this time. It is not anticipated that the standard will be adopted early, which would be permitted on endorsement by the EU.

Under the transition rules IFRS 15 will be applied retrospectively to the prior period in accordance with IAS 8 **Accounting Policies, Changes in Accounting Estimates and Errors,** subject to the following expedients:

- For contracts that have completed prior to 1 January 2018 and that begin and end within the same annual reporting period have not been restated
- For contracts that have completed prior to 1 January 2018 the transaction price at the date the contract was completed has been applied for contracts that have variable consideration
- The amount of the transaction price allocated to the remaining performance obligations and an explanation of when that amount is expected to be recognised as revenue has not been disclosed for the prior period.

The cumulative effect of initially applying the standard will be shown as an adjustment to brought forward retained earnings as at 1 January 2017.

Equiniti plc

Equiniti is a British-based outsourcing business focussed on financial and administration services, including secretarial services, payroll, pensions regulation, investment services and other digital services.

Equiniti set out a simple explanation of the 5-steps and explain that their recognition of software licence revenues changes to the point of delivery of the licence, whereas previously it was spread over the term of the licence. They have also identified that their 'transitional revenues' do not reflect performance and as such will be recognised over the term of the contract. They have quantified the impact on revenues and retained earnings.

IFRS 15, effective for the year beginning 1 January 2018, provides a single, principles-based 5-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces the separate models for goods, services and construction contracts currently included in IAS 11 **Construction Contracts** and IAS 18 **Revenue**.

The Group has undertaken significant analysis of how IFRS 15 should be implemented and we are finalising our review of each large scale contract which is quantitatively or qualitatively material to the Group, through adopting a first principles approach according to the 5-step model which IFRS 15 introduces. Our approach can be summarised as follows:

- **Step 1: Identify the contract:** Is there an enforceable contract, with commercial substance, which has been approved by the parties to that contract?
- **Step 2: Identify the performance obligations:** What goods or services have we promised to deliver under the contract and are those promises distinct from one another?
- **Step 3: Determine the transaction price:** What amount of consideration do we expect to receive in return for delivering the promises under the contract?
- **Step 4: Allocate the transaction price:** How do we allocate the transaction price to each of the identified performance obligations?
- **Step 5: Recognise revenue:** Have we transferred control of the promised goods or services at a point in time or over time?

As a practical expedient, and as allowed under the standard, we will apply the 5-step approach under IFRS 15 to portfolios of contracts which have similar characteristics and where we expect that the financial statements would not differ materially had the standard been applied to the individual contracts within the portfolio.

In terms of change from current accounting, the Group will adopt a fully retrospective approach from 1 January 2018 with restatement of 2017 results, and we anticipate that the most significant impact will be the following areas:

Software licences

Under previous accounting, revenue in relation to the provision of non-perpetual software licences was recognised over the term of that licence. Under IFRS 15, the Group has determined that the term licences provided to the Group's customers result in these customers having the right to use the licence and the performance obligation is delivered in full on the delivery of the licence.

Therefore revenue from the provision of the licence, where the licence is a distinct performance obligation, are now recognised at a point in time on delivery of the licence, rather than over time per step 5 of the 5-step model. Revenues which were previously spread over 2017 and future years, but where the licence had been delivered prior to 2017 must be recognised prior to 2017 under IFRS 15, resulting in a reduction to revenue in 2017. Conversely, revenue from new licences delivered in 2017 would be recognised in full in 2017 rather than over future years, resulting in an increase to revenue in 2017.

Management have assessed the most significant software licence contracts for the Group, and the impact on the year ended 31 December 2017 would be a net reduction in revenue of £0.4 million and an increase to retained earnings as at 31 December 2017 of £2.3 million.

Revenue from transitional services and contract fulfilment costs

Under a previous accounting, where a multi-period pensions administration contract was taken on, some contracts with customers had a transition stage where additional cost was incurred as members' records were transitioned from a previous supplier to EQ Paymaster. Revenue would be recognised in line with the cost and effort to provide these transitional services.

Under IFRS 15, all elements of the contract, including transition activity, are combined under step 2 of the 5-step model. Transition activity does not meet the definition of a distinct performance obligation, as it is highly dependent on the underlying administration services provided to customers. Therefore the revenue previously recognised over the transition stage will now be recognised over the expected life of the contract, rather than in-line with the cost profile. Similarly, costs associated with the transition activity will also be deferred as an asset on the balance sheet and released over the expected life of the contract.

Therefore, revenue and costs recognised in 2017 relating to contracts completing in future years will be deferred, and revenues and costs recognised prior to 2017 on contracts completing in 2017 will be recognised in full in 2017 under IFRS 15. This change in accounting treatment will result in a net increase in revenue for the year ended 31 December 2017 of £0.3 million and an increase in cost of £0.2 million. It would result in a reduction to retained earnings as at 31 December 2017 of £3.0 million.

Although it is expected that the standard will have an impact on the timing and amount of revenue and costs being recognised, there will be no impact on cash flows, with collection remaining in line with contractual terms.

Restore plc

Restore plc is a British relocation and documentation management company, providing services to offices and workplaces in the private and public sector.

Restore's disclosures summarise the areas that have been considered in reaching their assessment that there will be no material impact.

The core principle of the new standard is for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue.

The final standard has the following stepped approach, which is to identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognise revenue when the entity satisfies a performance obligation.

The Group has undertaken analysis of how the adoption of IFRS 15 will have an impact on the timing of recognition of revenue across its business, depending upon the nature and terms of their customer contracts.

The key areas which have been assessed are:

- Contract modifications
- The determination of distinct goods and services
- Customer options for future purchases
- The determination of a standalone selling price
- The allocation of the transaction price and any discounts to the separate performance obligations
- How the performance obligation is satisfied over time
- Howe contract costs should be allocated to fulfilling a contract.

The current contract terms and business practices were reconsidered, and it has been concluded that the new standard is not expected to have an impact on the timing of the recognition or revenue and that not restatement will be required. All new contracts and changes to existing contract terms are considered on an ongoing basis to ensure that the accounting is appropriate.

Technology

Idox Group plc

Idox Group is a supplier of specialist information management solutions and services to the public sector and to highly regulated asset intensive industries around the world in the wider corporate sector.

Idox explain that their impact assessment is currently ongoing and that they have identified a number of areas which may give rise to differences. They have not quantified an adjustment, but have indicated the quantum of total revenues in the affected areas of the business.

IFRS 15 **Revenue from Contracts with Customers** – effective for periods commencing on or after 1 January 2018. This standard will become effective for the Group on 1 November 2018. The guidance permits two methods of adoption:

1 Retrospectively to each prior reporting period presented (full retrospective method), or

2 Retrospectively with the cumulative effect of initially applying the guidance recognised at the date of initial application (the cumulative catch-up transition method).

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 Group is currently performing a detailed analysis of the impact of IFRS 15 on all aspects of its business. To this date, the review has identified a number of areas which are likely to be affected are in relation to recognition of consultancy revenue and our ‘no win – no fee’ grant application business. In the year ended 31 October 2017, consultancy revenue was approximately £26 million and ‘no win – no fee’ revenue was approximately £3 million.

Emis Group plc

EMIS Group is a major provider of healthcare software, information technology and related services in the UK.

Emis do not anticipate a material difference in revenue recognition, having concluded their licence revenue should continue to be recognised over time and their hardware sales at the point of delivery or installation. The requirement to consider whether promises in 'bundled' contracts represent distinct performance obligations is not expected to change how or when revenue is recognised for these contracts.

It serves the following healthcare settings; primary care, community, acute care, community pharmacy, specialist care and patient self-care.

IFRS 15

The Group intends to adopt IFRS 15 retrospectively in its consolidated financial statements for the year ending 31 December 2018. IFRS 15 replaces all existing revenue requirements in IFRS and sets out principles for recognising revenue that must be applied using a 5-step model. Revenue should only be recognised when (or as) control of goods or services is passed to the customer, when distinct 'performance obligations' are met, at the amount to which the entity expects to be entitled.

The Group has completed its assessment of IFRS 15 and has not identified any material differences between the Group's current revenue recognition policy and the requirements of IFRS 15. Materially all of the Group's licence revenues are derived from software subscription fees, which result in performance obligations being met 'over time' rather than at a 'point in time.' It is therefore appropriate that these licence revenues continue to be recognised over the period that the software is provided to the customer.

The Group's sale of hardware has a performance obligation that is met at a point in time, being the point in time when hardware is delivered or installed. Revenue recognition for hardware is unchanged under IFRS 15. The performance obligations for the Group's other material revenue streams, are satisfied over time, either as the service is provided or the project delivered. Revenue recognition would not change for these under IFRS 15.

Often the Group's contracts with customers involve the delivery of multiple components. Judgement will be required here to determine whether these should be 'bundled' together or treated as distinct and accounted for as separate performance obligations. It is not expected that this aggregation will change either the period over which revenue is recognised or how the Group's significant revenue streams are classified and reported.

IFRS 15 requires that the incremental costs of obtaining a contract, including sales commissions paid to employees, are recognised in line with the transfer of goods/services to the customers. For those relevant costs that are currently expensed as incurred, recognising these over the period that performance obligations are satisfied would not result in a material change to the financial results for the year.

Inmarsat plc

Inmarsat plc is a British satellite telecommunications company, offering global mobile services.

It provides telephone and data services to users worldwide, via portable or mobile terminals which communicate with ground stations through geostationary telecommunications satellites. Inmarsat's network provides communications services to a range of governments, aid agencies, media outlets and businesses (especially in the shipping, airline and mining industries) with a need to communicate in remote regions or where there is no reliable terrestrial network.

While Inmarsat's disclosures do include quantification, the narrative only outlines the requirements of the Standard without explaining what gives rise to the anticipated adjustments.

IFRS 15 will be effective for periods beginning on or after 1 January 2018. The standard sets out the requirements for recognising revenue from contracts with customers, and will supersede the current revenue recognition guidance including IAS 18 **Revenue**, IAS 11 **Construction Contracts** and the related interpretations.

When IFRS 15 is adopted, it can be applied either on a full retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption. The Group will adopt the full retrospective approach from 1 January 2018 and will show comparative figures for the December 2017 financial year under IFRS 15 as part of the 2018 financial statements.

The Group has performed a review of all significant revenue streams to identify the impact of applying the IFRS 15 5-step recognition model, as follows:

1. Identify the contract with the customer
2. Identify the distinct performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as or when a performance obligation is fulfilled

The restatement of 2017 comparatives in the 2018 accounts is expected to result in a decrease in 2017 revenue of $9 million and an increase in 2017 EBITDA of $8 million. Profit before tax is expected to increase by $4 million while opening 2017 retained earnings are expected to decrease by $10 million. Trade receivables and deferred revenue specific to Ligado are expected to increase by $20 million and $24 million respectively.

The Group has established internal controls to monitor the materiality of unadjusted differences that are immaterial and not expected to change in the near future.

Laird plc

Laird plc is a British-based electronics and technology business. It aims to solve electromagnetic interference challenges and state-of-the-art wireless communication and smart system solutions, operating worldwide.

Laird's disclosures are relatively light touch compared to some of the other companies in the technology sector, but they have quantified the expected adjustment to revenues and profit before taxation.

IFRS 15 is the new revenue standard which replaces IAS 18 **Revenue**. The standard is based on revenue being recognised as and when 'transfer of control' (of the goods or services provided) occurred, which is a change from the 'risks and rewards' model under the current standard.

Current status

The Group has reviewed each contract and revenue stream that is quantitatively and qualitatively material to the Group for the impact of IFRS 15. The main changes identified have been:

- Identification of some revenue streams that are non-distinct and therefore must be combined with other revenue streams
- Identification of contract related costs that IFRS 15 requires to be initially recognised as an asset.

The Group expects these changes to result in approximately £1 million of revenue being recognised later than under the current standard and a £0.1 million increase in profit after taxation impact at 31 December 2017.

Application

We plan to adopt IFRS 15 using the cumulative effect method. This adjusts the 31 December 2017 closing reserves for the cumulative profit impact of IFRS 15, without restatement of the prior period comparatives.

Petards Group plc

Petards Group plc provide security, surveillance and communication technology solutions, operating across three key markets.

Petards are still undertaking their assessment and hence their IAS 8 disclosures are very limited.

These are Rail Technology, providing on-train surveillance systems, and solutions for the efficiency and safety of railway infrastructures:

- **Traffic Technology**, including digital signage
- **Automatic Number Plate Recognition** technology and police speed enforcement solutions
- **Defence Services**, working with military organisations for surveillance and electronic solutions across sea, land and air.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 **Revenue**, IAS 11 **Construction Contracts** and IFRIC 13 **Customer Loyalty Programmes.**

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

The Group is currently performing a detailed assessment of the impact resulting from the application IFRS 15. Therefore the actual impact of adopting IFRS 15 on the Group's consolidated financial statements in 2018 is not yet known.

Frontier Smart Technologies plc

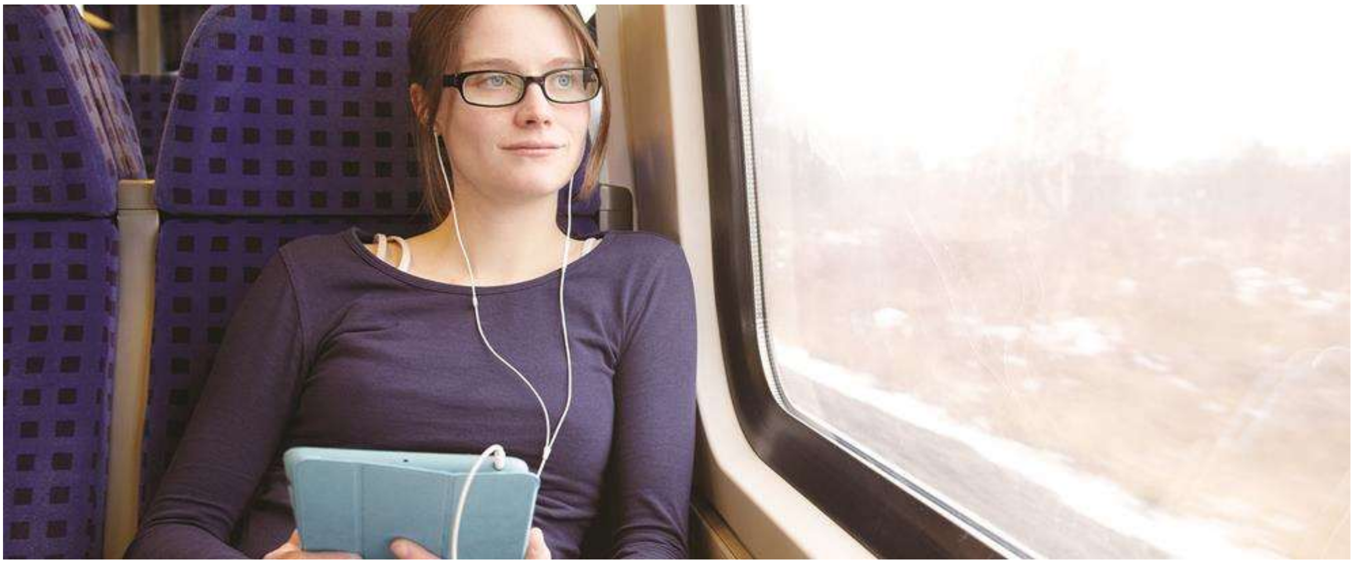
Frontier Smart Technologies is a company focussed on digital radio and smart audio solutions.

This includes the provision of chips, modules and software for digital radios, as well as providing expertise in DAB radio and Wi-Fi enabled speakers.

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 **Revenue**, IAS 11 **Construction Contracts** and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management intends to adopt the Standard retrospectively, recognising the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings on the initial date of application. Under this method, IFRS 15 will only be applied to contracts that are incomplete as at 1 January 2018. Management has started to assess the impact.

Frontier state that they have started their assessment and outline the areas of change in the Standard, but do not give any insight as to the potential impact on their financial statements.



Worldpay Group plc

Worldpay Group is a UK based company, which provides a range of technology-led payment products and services.

Worldpay Group has presented a very brief disclosure although they do not anticipate a material impact on the transition to IFRS 15.

The Company operates through four segments:

1 Global eCom

2 WPUK

3 WPUS

4 Corporate

Global eCom provides a range of payment services, both online and by mobile, to accept, validate and settle payments in approximately 126 currencies across 146 countries, using any one of over 300 payment methods. WPUK provides in-store, phone, online and mobile payment acceptance solutions for over 300,000 United Kingdom and Ireland-based customers, from small and medium enterprises to large corporates. WPUS provides in-store, online and mobile payment acceptance solutions for US based customers, with focus on developing omni-channel and integrated payment solutions for its approximately 109,000 SME customers, and vertical specific solutions for its approximately 13,000 enterprise customers in the grocery, petroleum, restaurant and retail industries.

Impact of IFRS 15

IFRS 15 **Revenue from Contracts with Customer** – replaces IAS 18, **Revenues**, and introduces a 5-step approach to revenue recognition based on performance obligations in customer contracts. The effective date is no later than 1 January 2018, although earlier adoption is permitted.

The Group has completed an initial assessment of the impact of implementing this standard and expects that this will not have a material effect on revenue recognition.

Sophos Group plc

Sophos Group plc is a provider of cloud-enabled end-user and network security solutions.

Sophos are expecting there to be a material impact on the Group's results and have presented a provisional estimate of these impacts due to changes in the timing of revenue recognition.

Its products under end user security include Sophos Mobile Control 6, which is developed to include Sophos Secure Email, a personal information management container solution for e-mail, calendar and contacts and Sophos Server Protection Advanced, which integrates server application to deliver single-click server lockdown, using Sophos Central management. Its products under network security include Sophos XG Firewall, which introduced a number of advances, including Sophos Security Heartbeat that links Sophos Endpoint Protection with the XG Firewall to share context and status information, and Sophos Web Gateway which provides cloud-delivered protection for users, devices and data across multiple operating systems.

IFRS 15

Based on the latest available guidance, the Directors have made an initial assessment of the impact of IFRS 15 **Revenue from Contracts with Customers**, which is effective for annual periods beginning on or after 1 January 2018, and have concluded that there may be a material impact on the Group's consolidated financial information as a result of the deferral of commissions and rebates in line with the recognition of revenue, and the accelerated recognition of certain software revenue where the Group has no remaining vendor obligations.

The provisional estimate of this impact on results, had it been effective for the reported periods, is summarised as follows:

$million	2016	2015
Increase in revenue	3.4	5.0
Decrease/(increase in expenses)	0.2	3.4
Increase in operating profit	3.6	8.4
Increase/(decrease) in cash EBITDA	0.2	3.4
Increase in other receivables	20.5	20.8
Decrease in deferred revenue	25.2	21.3

ATTRAQT Group plc

ATTRAQT provides cloud-based and server-to-server SaaS solutions that maximize onsite search, online merchandising and eCommerce personalization for retailers.

With easy-to-use interfaces and effective technology, ATTRAQT helps retailers make their online shop as attractive and successful as their brick-and-mortar stores. Services include onsite search, online merchandising, eCommerce personalization and business consulting.

ATTRAQT have disclosed that they will adopt the modified retrospective transition approach and consider SaaS revenues and Services revenues to be the two main areas where changes may arise, although they are not anticipating that this will be material.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a 5-step model to account for revenue arising from contracts with customers. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, ie when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group has carried out a technical exercise regarding the following revenue sources:

- **SaaS revenues:** A monthly subscription fee is earned from customers to the software as a service platform. Operation of the service is provided for a fixed term. The view is that the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs; and
- **Services:** Revenue from Consulting services and implementation fees. The view is that revenue is recognised when control is passed at a certain point in time and is based on a daily rate.

Apart from providing 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 positions and/or financial performance of the Group. ATTRAQT will complete a cumulative adjustment on adoption and are not expecting 2017 to change.

Forbidden Technologies plc

Forbidden Technologies operates in the fast-growing SaaS and cloud video market, creating an advanced suite of cloud computing applications for video.

Forbidden helps rights holders, sports and news video specialists, broadcasters, post-production houses, other mass market digital video channels, marketers and corporates who use video content or supply video solutions to SMEs and consumers.

The disclosure provided is very brief however Forbidden Technologies state that they have not yet undertaken a detailed review on the impact of IFRS 15.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the Group in future periods except that IFRS 9 will impact both the measurement and disclosure of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

Telecoms

TalkTalk Telecom Group plc

TalkTalk is one of the leading fixed line voice and broadband telecommunications businesses in the UK.

With over 4.1 million broadband customers and 1.1 million voice-only and narrowband customers, TalkTalk markets to residential customers under the TalkTalk and AOL brands and to business customers principally under the Opal brand. By operating its own all-IP next generation network with the UK's largest unbundle local loop footprint by number of unbundled exchanges, the TalkTalk Group is able to optimise operating efficiency and minimise its supplier costs and enjoy economies of scale, thereby having a sustainable platform to offer market-leading, value-for-money tariffs to its customers.

TalkTalk's disclosure is relatively detailed as they explain the process they have undertaken to assess the impact of IFRS 15 as well as highlighting three key areas where changes are expected. However, they have yet to quantify their assessment.

IFRS 15

The core principle of IFRS 15 is that an entity recognises 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 and services. An entity recognises revenue in accordance with that core principle by applying the following steps:

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

The Group has considered the above guidance and carried out a detailed review including the key actions below:

- Reviewing contract agreements which include variable consideration constraints in order to assess the appropriate transaction price
- Assessing the performance obligations that exist through the promise of goods or services offered to customers within its contractual agreements
- Carrying out a review of costs to establish which costs meet the criteria to be capitalised as fulfilment costs under IFRS 15; and
- Carrying out a review of costs to identify those that are incremental in obtaining a new contract.

Implications for TalkTalk

Following the above assessment, the Group is in the process of completing a detailed exercise where the following items have already been noted:

- **Contract inception:** From an assessment of revenue associated with specific performance obligations the Group expects a change in the timing of recognition of revenue. Under IFRS 15 a stand-alone selling price will be allocated to the sale of hardware and revenue recognised on transfer of control of that hardware in line with the stand-alone selling price. The connection fee will form part of the transaction price, which will be allocated to the hardware and service fee, the service fee component of which will be recognised over life of the contract.
- **Costs to fulfil contracts:** Specific subscriber acquisition costs currently recognised on contract inception will be spread over a defined period for the product to which it relates.
- **Costs to obtain contracts:** Incremental sales commission costs directly attributable to obtaining specific contracts and currently recognised as incurred will be spread over a defined period for the product to which it relates.

Vodafone plc

Vodafone's key offerings are mobile and fixed services, including voice, broadband and TV services as well as cloud and hosting services.

The 2017 disclosures do little to expand on those provided in 2016. The company states that IFRS 15 will have a material impact on its revenue and costs, and that it will be applying the modified retrospective approach to transition. The company states that IFRS 15 requires apportionment of revenue between performance obligations. Thus, in terms of composite sales agreement like sale of subsidised devices along with airtime service agreements, IFRS 15 will result in increase in revenue from sale of devices and reduce the revenue from services. Also the company states that as per IFRS 15, costs incurred in acquiring or fulfilling a customer contract shall be deferred and recognised only when related revenue is recognised.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 **Revenue from Contracts with Customers,** which has been endorsed by the EU was issued in May 2014 and subsequent amendments, **'Clarifications to IFRS 15'**, which have not yet been endorsed by the EU, were issued in April 2016. IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018. IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes extensive disclosure requirements; it will have a material impact on the Group's reporting of revenue and costs as follows.

- IFRS 15 will require the Group to identify deliverables in contracts with customers that qualify as separate **'Performance Obligations'**. The Performance Obligations identified will depend on the nature of individual customer contracts, but might typically be identified for mobile handsets, other equipment provided to customers and for services provided to customers such as mobile and fixed line communications services. The transaction price receivable from customers must be allocated between the Group's performance obligations under the contracts on a relative stand-along selling price basis. Revenue will then be recognised either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer. Stand-along selling prices will be based on observable sales prices; however, where stand-along selling prices are not directly observable, estimates of stand-along selling prices will be required which will maximise the use of observable inputs.
- Currently revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services; this restriction will no longer be applied under IFRS 15. The primary impact on revenue reporting will be that when the Group sells subsidised devices together with airtime service agreements to customers, revenue allocated to equipment and recognised at contract inception, when control of the device typically passes to the customer, will increase and revenue subsequently recognised as services are delivered during the contract period will reduce. Where additional up-front unbilled revenue is recorded for the sale of devices, this will be reflected in the consolidated statement of financial position as a contract asset.
- Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the consolidated statement of financial position and amortised as revenue is recognised under the related contract, this will generally lead to the later recognition or charges for some commissions payable to third party dealers and employees.
- Certain costs incurred in fulfilling customer contracts will be deferred on the consolidated statement of financial position under IFRS 15 and recognised as related revenue is recognised under the contract. Such deferred costs are likely to relate to the provision of deliverables to customers that do not qualify as performance obligations and for which revenue is not recognised; currently such costs are generally expensed as incurred.

The impact of the changes above on the Group's reportable segments will depend largely on the extent to which customers received discounted goods or services, such as mobile handsets, when they enter into airtime service agreements with the Group in the relevant markets. The combined impact of the changes is expected to increase the gross profit, or reduce the gross loss, recorded at inception on many customer contracts; in such cases, this will typically reduce the gross profit reporting during the remainder of the contract; however, these timing differences will not impact the total gross profit reported for a customer contract over the contract term.

The transactions impacted by IFRS 15 are high volume, value and complexity, therefore the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 15 and cannot reasonably estimate the impact; however the changes highlighted above will have a material impact on the consolidated income statement and consolidated statement of financial position after the Group adopts IFRS 15 on 1 April 2018. The Group expects to be in a position to estimate the impact of IFRS 15 early in the first quarter of the year commencing 1 April 2018.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group will reflect the cumulative impact of IFRS 15 in equity on the date of adoption.

BT Group plc

BT is a British multinational telecommunications company with head offices in London.

It has operations in around 180 countries and is the largest provider of fixed line, mobile and broadband services in the UK, and also provides subscription television and IT services.

BT have identified a number or changes to their existing revenue recognition practices, including deferral of connections revenues to reflect timing of performance; separate recognition of handsets and equipment as distinct goods and services; and capitalisation of sales commissions as costs to obtain contracts.

IFRS 15

The group is still in the process of quantifying the implications of this standard, however we expect the following indicative impacts:

- Currently the group recognises connections revenue upon performance of the connection activity. The transition to IFRS 15 will result in this revenue being deferred and recognised on a straight-line basis over the associated line/circuit contractual period. This leads to the recognition of what is known as a contract liability – a liability arising from secured revenue flows – on the balance sheet
- Under the current accounting policy, revenue recognised in relation to equipment and mobile handsets is based on the corresponding customer charge when the asset is transferred to the customer. Generally customer premises equipment is provided for free, and mobile handsets are either provided for free or for a small upfront charge. Under IFRS 15, additional revenue will be allocated to all equipment and handsets with reference to the asset's relative standalone value within the contract, regardless of contract pricing. As a result, on adoption of IFRS 15, there will be an acceleration of revenue for these items, with a corresponding reduction in ongoing service revenue over the contract period. The difference between the revenue and the customer charge will be recognised as a contract asset – a receivable arising from secured cash flows – on the balance sheet
- Sales commission and other third party acquisition costs resulting directly from securing contracts with customers are currently expensed when incurred. IFRS 15 will require these costs of acquiring contracts to be recognised as an asset when incurred, to be expensed over the associated contract period
- IFRS 15 will also result in some contract fulfilment costs which are currently expense at a point in time to be deferred on the balance sheet where they relate to a performance obligation which is satisfied over time
- IFRS 15 gives far greater detail on how to account for contract modifications than current revenue standards IAS 18 and IAS 11. Changes must be accounted for either as a retrospective change (creating either a catch up or deferral of past revenues), prospectively with a reallocation of revenues amongst identified performance obligations, or prospectively as separate contracts which will not require any reallocation
- There will be a corresponding effect on tax liabilities in relation to all of the above impacts

The group is continuing its analysis of the expected impacts of transition to IFRS 15.

Telenor ASA

Telenor is a Norwegian mostly government-owned multinational telecommunications company.

The company states that IFRS 15 requires allocation of revenue between contract elements based on standalone selling prices. Thus, IFRS 15 will result in an increase in revenue from sale of devices and reduce the revenue from services. Dealer commissions may be determined to be payments to customers, and as such would reduce the amount of revenue recognised. Costs to obtain contracts will be capitalised.

It is one of the world's largest mobile telecommunications companies with operations worldwide. It has an extensive broadband and TV distribution operations.

IFRS 15

IFRS 15 **Revenue from Contracts with Customers** (effective from 1 January 2018, but not approved by the EU), IFRS 15 establishes a new 5-step model that will apply to revenue arising from contracts with customers. The main implications of IFRS 15 for the Group will be the following:

- **Allocation based on stand-alone selling prices:** IFRS 15 requires allocation of the total consideration in a contract between elements in multiple elements arrangements based on the stand-alone selling prices for the goods and services included. The Group's current accounting policy is to cap the revenue of delivered items to the amount that is not contingent on delivery of additional items or other specified revenue performance criteria. This change will have a material impact on the revenue recognition where a significant discount is provided to the customer on day one. In such circumstances the new revenue recognition standard will impact the average revenue per subscription per month (ARPU) negatively and increase handset revenues. As a consequence and in isolation, recognised gross margins on handset sales will improve
- **Multiple element arrangements sold through external channels:** In some markets where handsets and subscriptions are sold through external channels, the Group is the principal in the subscription sales only while the handset is regarded as sold by the dealer on instalment plans collected by the Group. For arrangements where the dealer is compensated through commission, and where there are no clear links between the payment to the dealer and the collection of consideration from the customer, the current accounting policy of the Group is to recognise a commission expense and increased subscription revenue. Under IFRS 15 the commission will be offset against revenue to the extent it is possible to establish a link between the commission to the dealer, which is passed on to the customer, and the consideration from the customer subsequently collected by the Group. Consequently, the ARPU will be negatively impacted in these arrangements
- **Incremental costs for obtaining a contract:** Incremental costs for obtaining a contract, such as sales commissions, are under current accounting policy expensed as incurred. IFRS 15 requires capitalisation of such cost if the amortisation period is more than 12 months. The amortisation period shall be the expected contract period, including renewals. Amortisation of the capitalised cost of obtaining a customer will be recognised as part of EBITDA
- **Contract modification:** IFRS 15 requires, in certain circumstances, to change the allocation of the consideration received when contracts are modified. For current services provided by the Group this change in accounting policy will have limited effect on the pattern of revenue recognition in the Group

Transport

National Express plc

National Express is a British multinational public transport company headquartered in Birmingham that operates bus, coach, train and tram services in the UK, US, Canada and several countries within Europe.

National Express explain in their disclosures why they do not expect material differences to arise in each of their revenue streams.

It also offers long-distance coach services across Europe.

Title of standard	IFRS 15 **Revenue from Contracts with Customers**
Nature of change	IFRS 15 replaces IAS 18 which currently covers the Group's accounting for contracts of goods and services. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is based on the principle that revenue is recognised when control of a good transfers to a customer.
Impact	The Group has performed an initial assessment of the effects of applying the new standard and has concluded that while there are minor areas of difference they are not expected to have a material impact on the Group's financial statements. Just over half of Group revenue is derived from documented contracts that cover periods of at least one year, with a significant remainder being ticket and other sales to travelling customers and shorter-term contracts such as private hire. A sample of contracts has been reviewed against IFRS 15, particularly concerning the documented contracts that cover period of at least one year, and further reviews are taking place in 2018. The review to date has covered all major revenue stream contracts across the Group, including school bus and transit operations in North America, urban and intercity services in ALSA and subsidy and other contracted income in the UK. Based on the assessment, management has concluded that revenues are being appropriately recognised across the periods of the contract, as the services are transferred to the customer. Ticket sale revenue has also been assessed and confirmed to be compliant with the new standard, with revenue recognised when the passenger makes the journey or spread according to the term of the ticket, as appropriate. Small instances of variable consideration, such as customer loyalty points, discounts and refunds exist and are appropriately accounted for under the new standard. Private hire operations are provided in the UK, ALSA and North America divisions are typically of a short duration. A review of revenue recognition for these services confirmed that it is in accordance with IFRS 15, with revenue recognised in the period in which the private hire is provided to the customer.
Date of adoption	IFRS 15 will be adopted on 1 January 2018. We are not anticipating a material impact on the Group's revenue recognition in future periods or any restatements necessary in the comparative period.

Indices

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Company	Year end	Sector	Early adoption	Transition approach	Quantification of impact	Quantified: Material change	Not quantified: Material change	Page
Communisis plc	31/12/2017	Marketing	No	Full retrospective	Not established		Not established	84
WPP plc	31/12/2016	Media	No	Not stated	Not established		No	86
Tarsus Group plc	31/12/2017	Media	No	Full retrospective	Yes	Yes		87
STV plc	31/12/2017	Media	No	Modified retrospective	Not established		No	88
ITV Group plc	31/12/2017	Media	No	Full retrospective	Yes	No		89
Rio Tinto plc	31/12/2017	Mining and Resources	No	Modified retrospective	Yes	No		91
Glencore plc	31/12/2017	Mining and Resources	No	Not stated	Not established		No	92
Petrofac Limited	31/12/2016	Mining and Resources	No	Not stated	Not established		Not established	93
Bunzl plc	31/12/2017	Non-food consumables	No	Modified retrospective	Not established		No	96
BP plc	31/12/2017	Oil and gas	No	Modified retrospective	Not established		No	98
Just Eat plc	31/12/2017	Online food delivery	No	Not stated	Not established		No	100
MPAC Group plc	31/12/2017	Packaging	No	Not stated	Not established		No	102
Smith and Nephew plc	31/12/2017	Pharmaceuticals	No	Modified retrospective	Not established		No	104
GSK plc	31/12/2017	Pharmaceuticals	No	Modified retrospective	Yes	No		105
AstraZeneca plc	31/12/2017	Pharmaceuticals	No	Modified retrospective	Not established		No	106
Taylor Wimpey plc	31/12/2017	Property and Construction	No	Not stated	Not established		No	10810 8
Persimmon plc	31/12/2017	Property and Construction	No	Not stated	Yes	Yes		109
Right Move plc	31/03/2017	Property and Construction	No	Not stated	Not established		No	110
British Land Company plc	31/03/2016	Property and Construction	No	Not stated	Not established		No	111
Barratt Developments plc	30/06/2015	Property and Construction	No	Not stated	Not established		Yes	112
Costain Group plc	31/12/2017	Property and Construction	No	Modified retrospective	Yes	No		113
Trinity Mirror plc	31/12/2017	Publisher	No	Not stated	Not established		No	115
Staffline plc	31/12/2017	Recruitment	No	Full retrospective	Yes	No		117
Impellam plc	31/12/2016	Recruitment	No	Not stated	Not established		No	118
Gattaca plc	31/07/2017	Recruitment	No	Not stated	Not established		Not established	119
Sthree plc	30/11/2016	Recruitment	No	Not stated	Not established		No	120
Hays plc	30/06/2017	Recruitment	No	Not stated	Not established		No	121
Page Group plc	31/12/2016	Recruitment	No	Full retrospective	Not established		No	11
Capita plc	31/12/2016	Recruitment	Yes	Full retrospective	Yes	Yes		122
Domino's Pizza Group plc	31/12/2017	Retail	No	Not stated	Not established		No	124
Marshall Motor Holdings plc	31/12/2017	Retail	No	Modified retrospective	Not established		No	125
Tesco plc	25/02/2017	Retail	No	Not stated	Not established		No	126
McColls plc	26/11/2017	Retail	No	Not stated	Not established		No	127
William Hill plc	31/12/2017	Sports Betting & Gaming	No	Not stated	Not established		No	129
Serco plc	31/12/2016	Support services	No	Modified retrospective	Not established		Not established	131
Equiniti plc	31/12/2017	Support services	No	Full retrospective	Yes	No		132
Restore plc	31/12/2017	Support services	No	Modified retrospective	Not established		No	134

Company	Year end	Sector	Early adoption	Transition approach	Quantification of impact	Quantified: Material change	Not quantified: Material change	Page
Idox Group plc	31/10/2017	Technology	No	Not stated	Not established		Not established	136
Emis Group plc	31/12/2017	Technology	No	Full retrospective	Not established		No	137
Petards Group plc	31/12/2017	Technology	No	Not stated	Not established		Not established	140
Inmarsat plc	31/12/2017	Technology	No	Full retrospective	Yes	Yes		138
Laird plc	31/12/2017	Technology	No	Modified retrospective	Yes	No		139
Frontier Smart Technologies plc	31/12/2017	Technology	No	Modified retrospective	Not established		Not established	141
Worldpay Group plc	31/12/2016	Technology	No	Not stated	Not established		No	142
Sophos Group plc	31/03/2017	Technology	No	Not stated	Yes	No		143
ATTRAQT Group plc	31/12/2017	Technology	No	Modified retrospective	Not established		No	144
Forbidden Technologies plc	31/12/2017	Technology	No	Not stated	Not established		No	145
Gamma Communications plc	31/12/2017	Technology	No	Full retrospective	Yes	Yes		21
TalkTalk Telecom Group plc	31/03/2017	Telecoms	No	Not stated	Not established		Not established	147
Vodafone plc	31/03/2017	Telecoms	No	Modified retrospective	Not established		Yes	148
Telenor ASA	31/12/2015	Telecoms	No	Modified retrospective	Not established		Yes	150
Orange plc	31/12/2017	Telecoms	No	Full retrospective	Yes	No		20
BT Group plc	31/03/2016	Telecoms	No	Not stated	Not established		Yes	149
National Express plc	31/12/2017	Transport	No	Not stated	Not established		No	152