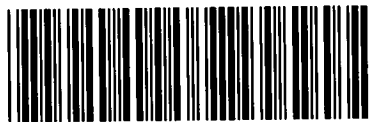


Kodak Alaris Holdings Limited
Annual Report and Financial
Statements

Registered number 8550309
31 December 2016

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Group Strategic Report

- **Chairman's Report**
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- **Corporate Governance Report**

Chairman's Report

The Board of Kodak Alaris Holdings Limited is pleased to report its results for the year to 31 December 2016. These group results reflect the total business performance of the Company and its subsidiaries, together referred to as the "Group".

2016 proved to be a critical period for the Group with significant progress on many fronts. Normalised EBITDA (excluding impairments and one-off items) held steady with 2015 at \$61 million in spite of significant market and ongoing business transformation challenges. Our management teams made substantial progress across a number of transformation programmes. In addition, we added significant leadership talent, continued aggressive restructuring to drive productivity and shifted investments from our core maturing portfolio businesses to several new growth initiatives. I am pleased that progress on the turnaround of the business accelerated in 2016 when considering the complex origins of Kodak Alaris (KA).

Strategy

In 2013, the UK Kodak Pension Plan (KPP) formed Kodak Alaris from three businesses acquired from EKC. These businesses are:

- Imaging - Consumer (I-C), formerly known as Retail Systems & Solutions
- Imaging - Paper, Photo Chemicals and Film (I-PPF), formerly known as Paper & Output Systems
- Information Management (IM), formerly known as Document Imaging

Each year the Board of Kodak Alaris reviews progress against a five-year plan, developed by Management. The plan is updated to reflect changing market conditions and lessons learned in the transformation of the company. That process was repeated in the final quarter of 2016 and the Board believes the current five-year plan is realistic and expects continued progress on meeting its objectives.

All three businesses operate in markets that are mature and have started to decline. Our plans remain focused on driving the maximum value from these core businesses, exiting lower return activities while adapting to create new opportunities for growth in an adjacent digital world built on our core engineering and technical expertise.

To support the growth opportunities for each of the businesses, we have made strategic investments, determined by our capital allocation process. First implemented in 2015, the capital allocation process provides us a methodology by which we evaluate an investment, both on its own merits and vis-à-vis our other business opportunities. The capital allocation process ensures that while making these investments, we engage in disciplined cash management.

Chairman's Report *(continued)*

New Leadership

Over the last three years since the formation of Kodak Alaris, the array of challenges changed rapidly and it was evident that new skills and leadership were required.

Jeff Goodman, our COO who came to us with significant turnaround and transformation experience, was named interim CEO in May until December 2016. Jeff had also stepped in to run the IM business in 2015 and recruited our President-IM, Rick Costanzo, to lead that business beginning in January 2016.

February 2016 saw the addition of our new CFO, Mark Alfatt who brings extensive financial and leadership experience of working in global businesses gained from a number of senior financial and commercial roles within Rolls-Royce Holdings Plc covering treasury and structured finance, investor relations and most recently as CFO of their Marine division, and at year-end we welcomed our new CEO, Marc Jourlait who brings considerable commercial and leadership experience gained in a number of global organisations including Apple, HP, Seagate, Bose and Navico. This new group of executives, combined with our seasoned core has greatly strengthened our executive team and, in turn, the functional and business teams reporting to them.

Investment Focus

As noted above, we inherited the complex task of optimizing performance in our three core businesses while shifting investment in staff and capital to several new growth initiatives. None was more complex than the new strategic framework developed for I-PPF which saw the orderly and lucrative disposal of manufacturing assets and the more profitable extension of the expected life of that business. This occurred as the business transformed from a large fixed cost base into a variable cost model, an effort completed at the end of 2016.

Software growth engines were developed for both IC and IM. IC entered the digital imaging product market with new mobile applications and a shifting focus on direct-to-consumer product offerings and shipments. A new organization was established in San Francisco where new skills to KA are required to drive this venture.

Our enterprise digital information management business, AI Foundry, began commercial activities after a one-year delay due to legal complexities. Adding value with solution synergies to IM they have been instrumental in closing new business plus building a vibrant pipeline in a very short time. We recognize the risk inherent in any new venture but remain cautiously optimistic that one or more of these initiatives will add value to KA and, therefore, our owner.

Financial Results from operations

The 2016 financial results continue to reflect the significant investments being made across the Group to rationalise the portfolio, improving productivity in its core businesses and positioning the portfolio in the right growth markets going forward.

Revenue - The Group generated revenues of \$813 million in 2016 (2015: \$931 million) a 13 per cent decline, 7 percentage points of which were from IPPF as expected due to the ongoing contraction of that business and 2 percentage points due to weaker foreign exchange rates. A combination of weaker volumes and some pricing pressure in the IC and IM businesses accounted for a four percentage point fall compared to the prior year.

EBITDA - Despite this revenue reduction, the significant progress on cost reductions, restructuring and productivity improvements together with improved mix benefits towards higher return revenue streams drove gross operating margins to improve by almost 5 percentage points in the year (to a 30% gross profit margin).

Chairman's Report *(continued)*

These actions together with increased focus on overhead spend helped deliver earnings before interest, tax, depreciation, amortization, impairments and one-off items (EBITDA) of \$61 million (2015: \$62 million), in line with the prior year.

Cash - Cash balances of \$41 million at the end of the year (2015: \$36 million) were in the range of the Board's expectations. The operating cash inflow reduced to \$40 million (2015: \$49 million) reflecting in part the effect of our continued business transformation programme.

Non-operating results

Overall, the Group reported a loss before tax of \$175 million (2015: loss before tax of \$83 million) including \$56 million (2015: \$68 million) of interest and foreign exchange costs in the year, \$59 million (2015: \$67 million) of depreciation and amortisation and \$110 million of intangible asset impairment (2015: nil). Please see a detailed explanation of these transactions in the CFO Report.

It was obvious to the Board that the balance sheet construct of the company was acting to distract from our true operating earnings and inhibiting any ability to secure financing both for short-term seasonal needs and longer term capital investment. Three major efforts were undertaken in 2016. First we engaged with our owner to restructure our balance sheet converting much of the debt to equity with the objective of lowering our debt to EBITDA ratio from over 11 times to something closer to 2 times. Second, based on this new balance sheet (see pro forma in note 29) we engaged our banker to negotiate a new Revolving Credit Facility with more favourable terms while extending the tenor to June 2020. Finally, we aggressively worked to accelerate the sale of the Harrow land site which was no longer needed for operational reasons following the production outsourcing to Carestream Health and to free up that capital for investments in our growth. All three of these endeavours were successfully completed by the publication of this report. The results will produce a stronger balance sheet, a long-term and more stable position from which to raise third party capital and the realisation of a total of \$72 million from the Harrow transaction in 2017 and 2018. These actions have consumed significant time for our financial, legal and operations teams in 2016 and, with their completion, should free up significant time to focus on the operational performance of the business going forward.

Financial outlook and risks

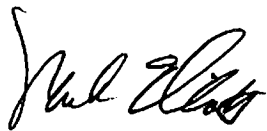
The Board of the Company began the implementation of a group-wide risk register in 2014 and good progress has been made in the period since to develop a broader risk mitigation culture and risk/reward basis for decision making. The risk register has now been adopted by the Company and is regularly reviewed by the Audit and Risk Committee.

In summary, while we understand our businesses and challenges better today than ever, there are three realities we face:

- The uneven and unpredictable maturation rate of our core businesses
- The risks inherent in growth ventures delivering meaningful value
- The need to continue significant transformation work with positive results over the foreseeable future.

With the efforts and accomplishments of 2016 we are confident that management will have more time to focus on business execution than in prior years and this bodes well for improved results in the future.

Chairman's Report *(continued)*

A handwritten signature in black ink, appearing to read 'Mark Elliot', is positioned above the text 'Respectfully submitted,'.

Respectfully submitted,

Mark Elliot
Chairman of the Board – Kodak Alaris Holdings
28 April 2017

CEO Report

After completing our third full year as Kodak Alaris, I am pleased to report that we had many significant achievements as the pace of our transformation accelerated. We also acknowledge that we encountered challenges, external and performance, that impacted our overall financial results compared to our ambitious targets for 2016.

Development of the Business

Our executive and leadership teams understand the dual challenges of performing to financial targets whilst at the same time driving continuous organisation rationalisation and productivity programmes. This is an ongoing state within Kodak Alaris and during 2016 we:

- Completed the global implementation of our new IT systems at year-end 2016. This was a critical milestone on the journey to independence from Eastman Kodak's systems. It also represents a meaningful step down in the investment we have been making in this area for the last three years and provides control and flexibility for us to reshape our operating structure and processes going forward.
- Introduced critical new talent and capabilities into our organization at all levels. Three new senior executives have joined; Rick Costanzo – President-IM, Mark Alflatt-CFO, and Marc Jourlait-CEO (1 January 2017). This extended to both leadership and functional management and staff on a global basis.
- Made substantial progress with our operations and footprint restructuring with the outsourcing of our colour negative paper operations in the UK, and subsequent Harrow site closure and sale. In China we disposed of our photochemical business in Wuxi to Sino Promise Holdings.
- Within our I-C business, we continued to invest in mobile and digital capabilities that expand the engagement opportunities within the consumer market which saw increased customer acquisition through the year including a significant step up in the launch of our mobile “Kodak Moments” app. As this gains momentum we expect to see increased investment in 2017 to accelerate the progress of this nascent business and our further transition to digital platforms.
- Relunched our AI Foundry business based in Boston, Massachusetts, to accelerate transformational business process automation. This will enable enterprises to extract and utilize actionable intelligence from their documents and data.

Transformation accomplishments

I-PPF

We made substantial progress in 2016 to scale down the IPPF business while at the same time maximising returns. The outsourcing of our Colour Negative Paper coating operations in Harrow, United Kingdom, to a key partner and the closure of our largest operational plant were delivered while managing production quality, meeting delivery performance to our commitments while also delivering planned business unit financial performance. This was a major step in the reduction of cost and risk within the IPPF business. In addition, we transferred our Wuxi Photochemical plant in China to an existing supplier in the final quarter of 2016 realising cash receipts of \$18 million. The closure of the Harrow site subsequently led to an exchange of contracts for the sale of the land in March 2017 (with completion on 28 April 2017) with a total cash value to the Group of \$72 million to be paid in two tranches, \$40 million in April 2017 and the remainder in April 2018.

CEO Report (continued)

IC and IM

In both businesses important transformation programmes were launched in the year to change organisational structure, reduce operating cost and refresh key engineering and commercial skills. The focus on developing and recruiting world class talent to drive the growth opportunities and maximise performance of our core businesses will continue through 2017.

Global IT systems

As noted above, implementation was completed on phase 1 at the end of 2016. All operations and employees transferred to our new stand-alone ERP systems. This was a major achievement for everyone in the business who have been so dedicated to this challenging implementation over the last three years. This will reduce cost in the near term and provide flexibility and opportunity to drive further simplification and productivity improvements in the future.

Legal entities

In addition to IT operating cost reductions there was further progress to simplify and reduce the number of legal entities operating globally to help reduce back office costs. There are additional opportunities to drive cost reduction across a number of our remaining legal entities and of our back office functions as more organisational and footprint rationalisation progresses in the next two years.

Progress with our Growth Ventures

Critical to developing a KA growth engine, all of our initiatives made progress in 2016. The development of our digital businesses progressed with the launch of our KC2 Storefront (I-PPF) in the Professional Photography market generating revenue for the first time in 2016. In the IC business, key software upgrades to our industry leading kiosk and dry-laboratory platform were deployed to more than 11,000 stores globally. The ramp up of the Kodak Moments App made good progress with "App installations" increasing by 3 times the prior year run rate to more than 4.5 million downloads in 2016.

In our AI Foundry business, we relaunched the business in the second half of the year on a sole basis following the exit from our previous partnership. We see substantial opportunities to accelerate transformational business process automation for our customers by enabling enterprises to extract and utilize actionable intelligence from their documents and data. The business has made rapid progress since the relaunch in September building a pipeline of \$10 million by the end of 2016 with several large software deals expected to close in the first half of 2017. Further, we see clear synergies developing between IM and AIF including jointly working together on a pure software deal that closed in Q4 2016.

The Kodak Alaris Executive Committee continues to identify opportunities to lower costs, simplify its structure, increase productivity and drive strategic investments. We are running multiple programs within the Company to identify and action more of these opportunities going forward.

- Continued transformation of the core portfolio, IT systems and cost base;
- Further progress to launch our growth businesses; and
- Important progress to accelerate our cultural transformation, people development and leadership capability.

CEO Report *(continued)*

Our Board is greatly encouraged by the substantial progress of the transformation, greater focus on cost reduction and competitiveness and a notable strengthening of the balance sheet and liquidity since the 2016 year-end. These will all be important enablers to further develop our growth ambitions in the future which are becoming more visible and tangible.

Information Management (IM)

IM Business solutions enable customers to capture and consolidate data from digital and paper sources, understand and extract valuable insight from the contents, and deliver the right information to the right people at the right time. They are a leading provider in information capture with a uniquely differentiated portfolio of scanning hardware, capture software, and associated services.

The IM scanner offerings include production scanners used in centralized locations for high volume requirements; distributed and networked scanners used in decentralized location for departments or work groups with low volume requirements; and picture scanning systems optimized for photo scanning.

The IM capture software provides foundational platforms to capture the content of business documents and automate related workflows.

The IM service offerings include preventative, repair and replacement services, product installation and configuration, and training for operators of both IM scanners and competitors' equipment.

IM also completes final assembly of scanners in the US for its sale in the US to governmental agencies as well as sourcing select high volume, low volume, work group and specialty scanners from third parties. IM products and services are marketed and sold in more than 27 countries throughout the world.

In addition, we embarked on a broad skills and capability upgrade agenda in our sales and commercial organisations and commenced a programme of adding key engineering talent to accelerate development in our growth ventures in the IC and IM businesses.

IM Revenues - Current Year

IM revenues for the year 2016 totalled \$261 million (2015: \$269 million) a 3% decrease compared to the prior year (2015: 3% decrease), mainly due to weakening foreign exchange rates. The reported \$261 million revenues included 60% scanners revenues (2015: 49%), 32% service revenues (2015: 43%) and approximately 8% software and other revenues (2015: 8%).

In our core businesses we won a number of important multi-year contracts and renewals and saw renewal rates in our IM services business continue to increase throughout 2016 reaching an 80 percent renewal rate.

IM revenues were impacted by weaker market conditions and unfavourable foreign exchange rate movements compared to the prior year, most significantly in the Latin America region. The Production Capture (PC) market declined by 9 percentage points in value terms, 5 per cent of volume and 4 per cent pricing pressure. Despite these market pressures IM revenues from PC sector grew 3 per cent over 2015 taking the number one position in this market. In the Distributed Capture (DC) market strong progress was made with new product launches driving a more than 18 per cent increase in revenue in 2016 in a total market similar to 2015.

Gross margin of \$112 million (2015: \$110 million) was \$2 million or 1% higher than 2015.

CEO Report *(continued)*

Imaging - Consumer (I-C)

The I-C business is a world leading provider of self-service retail photo kiosks and behind-the-counter dry technology photo lab equipment with related consumables, break-fix and network connected services. With an installed base of more than 100,000 units (the majority of which are internet connected for net-to-retail and retail-to-net ordering), our retailers can deliver a portfolio of high-quality photo products (prints, enlargements and photo gifts) to consumers for fulfilment within the store.

I-C produces thermal media in its facility in Windsor, Colorado, U.S. and sources thermal receiver from a manufacturer in Osnabrück, Germany. I-C shares facilities with I-PPF around the world for finishing and kitting thermal media supplies for delivery to channel partners. Kiosk and behind-the-counter equipment are sourced from original equipment manufacturer providers and assembled by third-party integrators located in Columbia, South Carolina, US and Paderborn, Germany.

I-C Revenues - Current Year

I-C revenues for the year 2016 totalled \$326 million (2015: \$374 million), which comprised 65% consumables revenue (2015: 62%) and 35% equipment and services (break-fix and on-line) revenues (2015: 38%) with the majority of the reduction coming from a mixture of timing of orders and foreign exchange impacts in LAR and EAMER. Gross margin of \$100 million was \$8 million or 7% lower than 2015. I-C revenue declined mainly as a result of unfavourable foreign currency exchange movements and the phasing of orders from some key customers in EAMER.

Imaging – Paper, Photo Chemicals and Film (I-PPF)

The I-PPF Business is a leading provider of consumer and professional photographic products. It supplies the world's highest quality consumer and professional colour negative paper, associated photo chemicals and display films, and is a market leader in providing consumer and professional photographic film and one time use cameras.

The I-PPF products have traditionally been produced both by Company-owned plants and a variety of original equipment manufacturer providers. Due to the continued 12 per cent overall annual decline of the I-PPF markets, the company has disposed of most of its manufacturing operations with substantial progress made in 2016. I-PPF has moved fully to an original equipment manufacturing model, with the exception of the consumable finishing operations in Manaus, Brazil. This facility is shared with the Imaging – Consumer business.

I-PPF Revenues - Current Year

I-PPF revenues for the year 2016 totalled \$226 million (2015: \$289 million). The reported I-PPF revenues included 63% Colour Negative Paper (2015: 65%), 17% Film Capture (2015: 14%), 8% Photochemistry (2015: 8%), 7% Display Products (2015: 8%) and 5% Software and Services revenues (2015: 5%).

The main impact on revenues relate to the effect of foreign exchange rates and further declines in Colour Negative Paper. The market for Colour Negative Paper continued to decline in 2016 (down 11%) exacerbated by a lower share of the market for the Group which was partly offset by the Group's pricing strategy. The Company has continued to focus on optimizing cash flow and EBITDA at the expense of market share in the I-PPF segment.

CEO Report *(continued)*

Business Risk Factors

The company has incorporated the Risk Register (RR) into our management and review processes and we have completed the initial cycles of risk assessment. This is delivering improved visibility to the global risks the Company faces and has facilitated increased focus and more timely risk mitigation activities. It is regularly reviewed by the Audit and Risk Committee of the Board throughout the year.

The following is a list of principal risks which have been assessed and which have mitigation plans in place.

- I. **ERP implementation:** We completed phase 1 of our global IT systems implementation and went live through Q4-2016. We are no longer using those of EKC which will in 2017 yield substantial savings. We now have the flexibility to shape our systems and operations, building on a single IT platform at a materially lower level of ongoing investment. With success, the risks in this programme have materially reduced over the course of 2016 and the focus is now to refine our tools to help drive improved operational management of the business.
- II. **Ongoing EKC relationship:** Our current reliance on EKC comprises brand, supplies of raw materials and leaseholds. We continue to address these risks in due course as part of our normal business risk management process. On an ongoing basis we review and consider the overall size of this risk and continue to adapt our approach and focus as needed.
- III. **Structural market decline:** Elements of the businesses operate in market spaces that are experiencing continuing structural decline. Within these businesses, we have maintained strict and focused management attention on market share, product costs and other associated costs related to specific product lines. We will continue to monitor profitability and overall performance of our core businesses as we fund related growth opportunities.
- IV. **Customer concentration:** Within I-C, we have a significant concentration of our business within a few large globally distributed retail customers which, in differing degrees, are experiencing market maturation. Therefore, it is an imperative that we continue to selectively invest to create greater revenue opportunities for these customers to secure our position and their success. Conversely, we have accelerated investments in mobile applications to broaden our direct-to-consumer engagement to take advantage of the explosive growth in mobile imaging.
- V. **ITyX:** In 2015, we discontinued our relationship with ITyX Technology GmbH, the software platform for our AI Foundry business unit. The discontinuation of the relationship is subject to legal proceedings. The financial impact of the legal proceedings was not material to the 2016 financial performance of the Group and although the financial impact going forward is unknown, it will not be material to the 2017 financial performance of the Group.
- I. **Brexit:** Brexit poses potential risks to the business which we are evaluating to determine the impact. Our initial review following the UK's EU referendum in June 2016 suggested limited risk to the business given our global presence and breadth and mix of our businesses.

Potential impacts to the business might include:

- a. regulatory risks associated with potential changes to tax legislation that may impact VAT, freedom of goods movement and tax treaties
- b. financial risks in terms of further significant changes to foreign exchange rates
- c. resourcing risks that may impact some of our team located in various countries across the European Union and our ability to recruit key talent going forward, and
- d. commercial risks affecting our customers and suppliers positions as the outcome of UK renegotiations become more clear in the future.

CEO Report *(continued)*

II. Financial Risks Management:

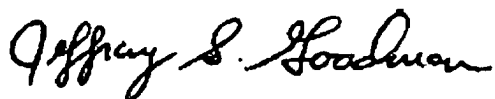
- a. Foreign Exchange - Today, the Group as far as possible manages foreign exchange risks by natural hedging, matching operational & supply chain costs with revenue sources and expenses in various different currencies. The Group is reviewing its approach to foreign exchange risk management in light of the substantial ongoing restructuring of our operational and supply chain spend mix.
- b. Cash Flow - The Board and the Management team continue to place great emphasis on improving cash flow generation and the requirements of our shareholder are acutely recognised. The business has access to a working capital facility that has recently been renewed to June 2020, that is subject to loan covenants which are closely monitored by management.
- c. Liquidity risk - Is managed by the Board and KAEC to ensure that the Group has appropriate funding structures and access to liquidity such that they can meet their operating cash requirements and obligations as they fall due. The Group also manages the banking covenants prospectively and maintains regular communication with the lenders.

Kodak Alaris Team - Culture and Leadership

Focus on culture, talent and leadership-change programmes has continued in 2016 which saw the inaugural "Leadership aKAdemy." This joined a number of senior executive leaders with global middle managers to further their skills and perspectives at a more senior level.

Optimising our core businesses and launching our new growth ventures requires constant investment in our team. Since the start of the financial year, we added more than 200 people across the business plus a further 50 interns. The new hires included key talent at all levels and in all regions of Kodak Alaris including technology, engineering and sales and commercial expertise. Our transformation programmes and site exits reduced more than 450 roles in the year.

At a senior level we appointed a new IM President plus a new CEO and CFO, both members of the KAHL Board. The Board considers this investment in and development of the global team to be a key pillar in the future success of our businesses and a crucial part of accelerating the transformation efforts and the transition to a more digital portfolio.



Jeffrey S Goodman
Executive Director, Acting Chief Executive Officer -Kodak Alaris Holdings Limited to 31 December 2016
28 April 2017

CEO Report *(continued)*

Looking Forward

It is an honour and a privilege to have been appointed as the new CEO of Kodak Alaris as of 1 January 2017. After just over three months in the role, I can say unequivocally that I am excited, motivated and optimistic. That is not to say there isn't a lot of work ahead of us, important things to fix, business problems to resolve. But we have many of the core ingredients that give me a strong conviction that Kodak Alaris' best years are ahead of us and I look forward to positioning our products and services to better serve our customers who remain central to our strategy and management focus.

I have spent my first 100 days prioritising the following:

- Ramping-up on all things Kodak Alaris and diving in to learn about each of the Kodak Alaris businesses and functions
- Meeting as many teams, partners and customers and visiting as many sites as possible including Hemel Hempstead, Rochester, Boston, Lisbon and Berlin whilst communicating transparently on the state of our business and our strategic and short-term priorities
- Hitting the ground running on executing our 2017 plan and delivering our financial numbers: that is my biggest priority.

There is still a lot to do on Transformation & Simplification, cost management, ERP post-implementation stabilization and many other areas. However, most importantly, the Growth Initiatives for our new businesses: Direct to Consumer Mobile in IC, Software & Services in IM, KC2 in IPPF and; AI Foundry will take on an increasing focus for the organisation.

In order to help focus our efforts and get the Kodak Alaris organisation and resources aimed all in the same direction, we have put in place the following framework for strategy alignment and cascading throughout the teams, underpinned by 4 strategic pillars: Financials; Growth; Transformation & Simplification; People. Indeed, the core near term objectives for the Group are perfectly described within these "4 Pillars" that support both the long term vision of the Group and our near term performance:

- **Financial:** Meet or Exceed Annual Financial Goals – "Hit the Numbers".
- **Growth:** Identify and Execute new business Growth Initiatives
- **Transformation & Simplification:** Identify and execute business simplification and transformation – continuous improvement
- **People:** Invest in our people through talent acquisition, people development and cultural transformation programmes.

Each of these 4 strategic Pillars have clear measurable goals and detailed KPI's that are communicated across the Group and are used by the Kodak Alaris Executive Team and Board to regularly measure and review Business Unit, Function and regional performance across a balanced scorecard of financial, strategic, cultural and continuous improvement metrics. These Key Performance Indicators are cascaded throughout the organisation, for every Business Unit, every function, every Region, every organisational level, and monitored on a regular basis by the management team and Board. These 4 pillars and associated KPIs are the foundation for how we are driving the business.

I look forward to reporting on our continued progress and our on-going results.

CEO Report *(continued)*

A handwritten signature in black ink, appearing to read 'M. Jurlait', with a long horizontal stroke extending to the right.

Marc Jurlait
Director, Chief Executive Officer – Kodak Alaris Holdings Limited from 1 January 2017
28 April 2017

CFO Report

Financial Performance – 2016

Operational Performance

The 2016 financial results continue to reflect the significant investments being made across the Group to rationalise the portfolio, improving productivity in its core businesses and positioning the portfolio in the right growth markets going forward. As a result of these ongoing changes, the negative impact of foreign exchange rates and an impairment of \$110 million (2015: \$nil) of some intangible assets the Group reported a loss for the year of \$184 million (2015: \$83 million). However, excluding these one-off and transformation investments it is clear that good progress was made in the business in 2016 with improving profit margins despite challenging market conditions.

The Group generated revenues of \$813 million in 2016 (2015: \$931 million) a 13 per cent decline, 7 percentage points of which were from IPPF as expected due to the ongoing contraction of that business and 2 percentage points due to weaker foreign exchange rates. A combination of weaker volumes and some pricing pressure in the IC and IM businesses accounted for a four percentage point fall compared to the prior year.

I-C delivered strong performance in the year despite the impacts of weakening FX rates in LAR and EMEA, and challenging market conditions for some of our key retail partners. The I-PPF business effectively managed further market decline within its business segment by completing the outsourcing of our largest operational plant, the Harrow plant in the UK, to Carestream Health, the sale of our photochemical business in China and greater focus on operating cost and overhead reduction and cash management.

Our IM business had a more challenging year in 2016, as the broader hardware market weakness continued. While revenues were similar to the prior year, excluding the impact of weaker FX rates, the resulting profit for IM was below our expectations. In 2016, a new President of the Business and new Vice President of Marketing joined the business and made important progress in strengthening the global sales and marketing organisation and progressed significant changes in the technology and engineering teams. These changes position the business well to grow in 2017, support its transition beyond hardware and partner with the AI Foundry solutions capabilities.

Despite this revenue reduction, the significant progress on cost reductions, restructuring and productivity improvements together with improved mix benefits towards higher return revenue streams drove gross operating margins to improve by almost 5 percentage points in the year (to a 30% gross profit margin). These actions together with increased focus on overhead spend helped deliver earnings before interest, tax, depreciation, amortization, impairments and exceptional items (EBITDA) of \$61 million (2015: \$62 million), in line with the prior year.

Impairment, Depreciation and Amortisation

The carrying value of our intangible assets is tested on an annual basis. The changes ongoing in our core markets and our business transformation have contributed to changes in our expectations for the future recoverability of some of these intangibles. In 2016, that has caused the Group to impair the carrying value of the amount identified as Brand licence from Eastman Kodak Corporation in 2013 (\$90 million impairment charge) and, reduce the carrying value of Goodwill in our I-C business (\$20 million) giving a total charge of \$110 million in the 2016 accounts.

The Brand impairment reflects the progressive rebranding of our IM business away from the “Kodak” brand towards our own “Alaris” brand together with a lower growth outlook for our core hardware business as those markets are predicted to continue to decline in scale in the future, part of which is expected to be offset by strong

CFO Report *(continued)*

and growing market share in those sectors. In the IC business, a rebasing of our expectations for the core retail sector has caused the Group to take a reduction in the carrying value of Goodwill in the year.

In addition, to reflect the expected changes in our business mix and focus over the coming five to ten years the Group has reduced the expected useful life to five years on certain intangible asset categories which will cause the annual amortisation charge (a non-cash charge) to increase (by approximately \$15 million) over the coming five years compared to prior year's average charge rates.

Total depreciation, amortization and a small loss on disposal of fixed assets total \$60 million in the year (2015 \$67 million) with the main reduction coming from lower depreciation of Plant and Equipment given a number of changes in the operational footprint of the Group over the last two years.

The level of Exceptional costs (shown in note 4) remained stable in 2016 at \$10 million (2015 \$10 million) reflecting mainly unusual and non-recurring costs incurred in the implementation of the Group's new IT systems and in disposing of non-core assets.

Financial expenses include foreign exchange revaluation impacts and funding costs incurred on shareholder loans (Tranche A and Tranche B provided by KPP2) and costs under the Revolving Credit Facility both fees and interest for drawings under the facility. Financial expenses reduced in the year to \$56 million (2015 \$68 million) primarily due to substantially lower impacts from foreign exchange in the period.

Tax expense for the year 2016 increased to \$9 million (2015: \$1 million), of which \$14 million is the current tax expense (2015: \$7 million), offset by a \$5 million deferred tax benefit (2015: \$6 million benefit). Total tax expense is driven largely by the mix of income amongst various taxing jurisdictions, many of which have higher statutory tax rates than the U.K. The split between current tax expense and deferred tax expense (benefit) results from the difference in timing of taxability or deductibility of various income items.

Cash, Balance Sheet strengthening and Liquidity

Cash balances of \$41 million (\$34 million net after adjusting for the credit facility) at the end of the year (2015: \$36 million with nil credit facility) were in the range of the Board's expectations. At the end of 2016 a further \$67 million RCF was also available to the Group.

The operating cash inflow reduced to \$40 million (2015: \$49 million) reflecting in part the effect of our continued business transformation programme.

Two significant events were completed in early 2017 that transform the Group's financial position and provide increased confidence and liquidity being the financial restructuring of the balance sheet and the disposal of the Harrow Land.

Financial restructuring and improved balance sheet strength

Increased focus has been placed on improving the financial strength of our business as a crucial platform from which to invest in future growth. This has been pursued through a range of avenues, including greater focus on working capital management, the release of capital through the disposal of non-core assets and businesses and in the second half of 2016 and early 2017, a significant restructuring of the capital structure. The capital restructuring

CFO Report *(continued)*

was completed in April 2017 and provides a watershed moment and transformation for the Group and our shareholder (KPP2) as it positions the business better to support and invest in growth opportunities going forward whilst meeting commitments to our shareholder.

The financial restructuring of the Company has resulted in a significant equitisation (converting debt instruments to ordinary shares) of the shareholder loans which were put in place at the time of the formation of Kodak Alaris in 2013. This substantially reduces balance sheet gearing from circa 11 times EBITDA to less than 2 times, materially improving liquidity and investment capacity for the right strategic opportunities. This restructuring was also accompanied by a new \$67 million working capital facility (Revolving Credit Facility) which is initially available until June 2020. The facility progressively reduces to \$50 million over the coming three years as certain milestones and dates are achieved. These actions have provided a significant strengthening of the Company's funding sources and balance sheet.

The Group's liquidity position has improved further in the early part of 2017 with the sale of the Harrow land released from the outsourcing of our UK Colour Negative paper operations. The Harrow site land was disposed of at a net value of \$72 million to the Group with \$40 million to be received in April 2017 and the remainder in April 2018.

Following the completion of these two items in early 2017 the Group has reduced ongoing cash and cash interest on shareholder loans to zero (from circa \$17 million per year), substantially improved the terms of the revolving credit facility and released capital of \$72 million from the sale of unneeded operational land.

As a result, the Company should be well placed to generate positive and sustainable cash flow, before dividends, from 2017 to support investment both in the next stages of our business transformation and in further development of our growth ventures.


Mr. Mark Alflatt

Director, Chief Financial Officer – Kodak Alaris Holdings Limited
28 April 2017

Corporate Governance Report

The Board of Directors is responsible for the overall management of the Group and maintaining effective operational control of the Group, including significant financial, organisational, legal and regulatory matters.

The Board is committed to high standards of corporate governance and ethical behaviour in directing the Group's affairs. The Board is responsible for the oversight of the corporate governance framework and its implementation within all Group operating companies.

The Board is supported by the Kodak Alaris Executive Committee (KAEC), and three Board Committees which operate on a Group-wide basis – Audit & Risk, Nomination and Remuneration committees. The KAEC consists of senior Kodak Alaris employees – specifically the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), the Presidents of each of the three Businesses, Group Operations Director, Human Resources Director, VP Transformation and General Counsel. The Board structure is designed to enable the Board and its Committees to receive the appropriate business and functional support required to discharge their responsibilities and to facilitate an appropriate level of information to allow constructive challenge and debate at the Board level.

During the year the Board met on seven scheduled occasions. At each Board meeting, the CEO provided an update on the Group's key activities and the CFO or delegate provided an update on the Group's financial performance for the year. In addition to the routine reports, the Board considered a range of matters during the year including amongst other items:

- Business performance – financial, operational and strategic performance updates on the Group's Business Units were provided by the relevant Business Unit Presidents.
- Strategy and Annual Budget – the Group's strategy and annual Budget were approved. The Group's overall financial performance and those of its Business Units were reviewed against Budget on a routine basis.
- Technology – progress updates on the development of the Group's new ERP system
- Environment Health and Safety (EH&S) – the Group's strategy on EH&S matters and performance against that strategy
- Disputes and Litigation – updates on any material disputes faced by the Group were provided by the General Counsel
- Business transformation programme – review of cost and staffing productivity improvements, management talent development and evolving the culture of the Group

The CEO and other members of the KAEC provide regular face to face updates to employees. These updates provide a summary of the Group's strategy and performance, together with details of the challenges and opportunities faced by the Group. These events are designed to update employees on the progress of the Group and provide them with an opportunity to ask questions regarding the business.

Board composition

The Board is led by an experienced independent Chairman and comprises seven Directors (including the Chairman). The Board includes five independent Non-Executive Directors one of whom represents the Company's shareholder.

Role of the Chairman - The Chairman is responsible for leading the Board and ensuring its effectiveness in governing the affairs of the Group. The Chairman ensures that links between the KAEC and the Company's shareholder are transparent and robust, whilst also providing support and challenge to the Executive Board members.

Corporate Governance Report *(continued)*

Role of the Chief Executive (CEO) - The CEO is responsible for the implementation and execution of the Group's strategy and for the day to day management of the Group. The CEO is supported by his fellow Executive Directors and the KAEC members as described above.

Role of the Non-Executive Directors - The Non-Executive Directors provide constructive challenge to the Executive Board members; monitor the delivery of the agreed strategy, and provide strategy and market input to the Group's three business units. This input ensures appropriate co-ordination and sharing of knowledge, information and best practice across the Group.

The Board is satisfied that the Chairman and each of the Non-Executive Directors have committed sufficient time during the year to enable them to fulfil their duties as Directors of the Company.

Board changes. The Board was established during 2014. In 2015, for operational and cost reasons, the Board invited the Business Unit Presidents to resign from the Board. The COO was named interim CEO in May 2016. A new CFO and CEO joined the Group and the Board in February 2016 and January 2017 respectively, the CEO and CFO are the current Executive Directors of the Company.

Audit Committee

The Audit Committee is chaired by Stephen Webster. Stephen is an independent Non-Executive Director with extensive financial experience gained in a number of prior senior positions. The composition of the Audit Committee includes all the Non-Executive Directors. The CFO is required to be present at all meetings together with the Chief Risk Officer (a role currently being fulfilled by the General Counsel). The quorum for the Audit Committee is two. The Audit Committee's main responsibilities are:

- Monitoring the integrity of the Groups Financial statements and reviewing significant accounting and reporting judgements
- Reviewing the effectiveness of the internal control environment including its compliance programme
- Monitoring the effectiveness of the Group's Corporate Business Assurance and reviewing its material findings and
- Overseeing the relationship with the Groups external auditor, including appointment, remuneration, nature and scope of work and review of independence

Corporate Business Assurance – At the beginning of each year, the Corporate Business Assurance function presents its plan for the year (the Plan). The Audit Committee reviews and approves the Plan, along with any subsequent changes to it.

Weaknesses in any Corporate Business Assurance reports are considered by the Audit Committee, together with the appropriateness of any remediation action plan and time lines that management has committed to.

The General Counsel in his role as the Chief Risk Officer provides a regular update on any material fraud or whistleblowing cases together with any recommendations. Under the guidance of the General Counsel a risk register has been developed and approved by the Committee and further work is ongoing to understand the Group's appetite for risk as well and its risk profile. On behalf of the Group's Compliance Officer the General Counsel reports to the Committee on the strategy and activities of the Compliance Function together with a report on any non-compliance issues.

The Committee discharges its responsibilities through its meetings which are held at minimum twice per year and at other times as needed.

Corporate Governance Report *(continued)*

Nomination Committee

The Nomination Committee is chaired by Mark Elliott. Mark Elliott is also the Chairman of Kodak Alaris Holdings Limited. The composition of the Committee includes all the Non-Executive Directors. The quorum for the Nomination Committee is 2.

The Committee has responsibility for succession planning, appointments to the Board and key roles within the Company. The Committee is also responsible for reviewing leadership development programmes for the Company and to consider programmes for the continuing development of Non-Executive Directors.

The Committee discharges its responsibilities through its meetings which are held at minimum twice per year and at other times as needed.

Remuneration Committee

The Remuneration Committee is chaired by Brian Larcombe. Brian is an independent Non-Executive Director with extensive Board level experience. The composition of the Committee includes all the Non-Executive Directors. The quorum for the Remuneration Committee is 2.

The Committee has responsibility for determining the overall framework and policy for the remuneration of the Executive Directors and other senior Executives, as determined by the Board. The remuneration policy in respect of Executive Directors and senior management is to provide packages that are intended to attract, motivate and retain high calibre individuals necessary to develop the Group.

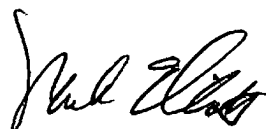
Items discussed included Senior Management Objectives, Performance management, incentive schemes and Board appointments.

The Committee discharges its responsibilities through its meetings which are held at minimum twice per year and at other times as needed.



Mark Elliott
Chairman – Kodak Alaris Holdings Limited
28 April 2017

The Strategic Report, as set out on pages 3 to 20 has been approved by the Board.



Signed on behalf of the Board
Mark Elliott
Chairman – Kodak Alaris Holdings Limited
28 April 2017

Group Directors' Report

Principal Activities

The principal activities of the Company and its subsidiaries are the sale of scanning hardware, capture software and associated services, consumer and professional photographic products, photographic paper, associated chemicals, photo kiosks and dry technology photo labs and event imaging systems.

The review of performance during the year ended 31 December 2016, expected future development, and principal values and uncertainties are contained in the Strategic Report on page 3.

Directors

The Directors who held office during the year were as follows:

- Mark Elliott (Chairman) – Non-executive Director
- Ralf Gerbershagen (Chief Executive Officer) – Executive Director, resigned 30 April 2016
- Ross Trustees Services Limited represented by Steven Ross – Non-executive Director
- Patrick J. De Smedt - Non-executive Director
- Brian Larcombe – Non-executive Director
- Stephen P. Webster - Non-executive Director
- Mark Alflatt (Chief Financial Officer) – Executive Director, appointed 29 February 2016
- Jeffrey S Goodman (Acting Chief Executive Officer) – Executive Director, appointed 1 May 2016, resigned on 31 December 2016

Since the year end the following director was appointed:

- Marc Jourlait (Chief Executive Officer) – Executive Director, appointed 1 January 2017

Director Indemnities and Insurance

In accordance with the Companies Act 2006 and the Company's Articles, the Company has purchased Directors' and officers' liability insurance, which remains in place at the date of this report. The Company reviews its insurance policies on an annual basis in order to satisfy itself that its level of cover remains adequate.

Research and Development

During the year ended 31 December 2016 the Company invested a total of \$39 million (2015: \$41 million) in research and development expenditures to support the development of future products and markets. A total of \$33 million (2015: \$30 million) was charged to the income statement in the year. In addition, \$6 million (2015: \$11 million) was capitalised as internally developed intangible assets. The investments improved and expanded our IM, I-C and I-PPF software applications and enhanced our kiosk, dry lab and scanner product lines. The Company plans to continue to invest in research and development.

Group Directors' Report *(continued)*

Dividends

No dividends were paid in 2016 or declared in respect of the year ended after 31 December, 2016.

As a result of the financial restructuring completed in early 2017 it is expected that cash distributions to the shareholder, KPP2, will be made via dividends with the levels being guided by reference to the Dividend Policy described below.

Kodak Alaris Holdings Limited Dividend Policy:

In 2018 and subsequent years, subject to any limitations noted here the Company will pay KPP2 (by way of cash dividend) the maximum amount which it can legally pay on the basis of the distributable reserves shown in the audited accounts for the previous year. The dividends will be subject to any limitations required by third party debt providers such as any Revolving Credit Facility or other Term Debt Facility providers and subject to the Board being satisfied on the availability of minimum cash and liquidity levels, the future cash needs of the business for normal operations including cash requirements for investment and otherwise that the payment is in the best interests of Company.'

Political Donations

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Employee Matters

The Group recognises that its employees are key to successfully delivering its strategy and sustaining future business. With approximately 2,370 employees at the end of 2016 (2015: 2,840) in 27 (2015: 30) countries, the Group relies on talented people who are committed to achieve its objectives.

The Group recognises the importance of engaging its employees to help them make their fullest contribution to the business. Through a variety of channels, our leadership seeks to listen to employees' views and opinions, and keep them informed about developments and prospects for the business.

The Group is committed to creating an inclusive work environment where a diverse range of talented people can work together to ensure business delivery. Diversity amongst the Group's workforce is a significant force for innovation and assists the Group in responding to customer requirements.

Disclosure of Information to Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Group Directors' Report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The Corporate Governance Statement on pages 18 to 20 forms part of the Directors' Report.

Approved by the board on 28 April 2017, and signed on its behalf,



Mr. Mark Alflatt

Director, Chief Financial Officer
Hemel One Boundary Way
Hemel Hempstead
Hertfordshire, HP2 7YU

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the group and company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

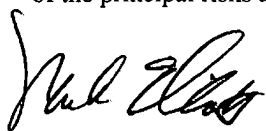
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic & directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



Mark Elliott

Chairman – Kodak Alaris Holdings Ltd
28 April 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KODAK ALARIS HOLDINGS LIMITED

We have audited the financial statements of Kodak Alaris Holdings Limited for the year ended 31 December 2016 set out on pages 27 to 82. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in these reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Michael Harper (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD
28 April 2017

Consolidated Income Statement

for the year ended 31 December 2016

	Note	Group 2016 \$000	Group 2015 \$000
Revenue	3	812,912	931,182
Cost of sales		(570,775)	(695,065)
Gross profit		242,137	236,117
Administrative expenses	4	(320,318)	(210,171)
Other operating expenses	5	(8,671)	(11,256)
Research and development expensed		(32,700)	(29,858)
Operating loss		(119,552)	(15,168)
Analysis of results from operating activities			
EBITDA		61,263	61,732
Loss on disposal PPE		(1,002)	-
Depreciation	11	(23,576)	(31,507)
Amortisation	12	(35,900)	(35,129)
Impairment	4	(110,000)	--
Exceptional items	4	(10,337)	(10,264)
Results from Operating activities		(119,552)	(15,168)
Financial income	9	596	365
Financial expenses	9	(56,365)	(67,698)
Loss before tax		(175,321)	(82,501)
Taxation	10	(8,660)	(998)
Loss for the year		(183,981)	(83,499)

Total loss for the year is attributable to the equity holder of the parent.

All operations are continuing.

The notes on pages 35 to 82 form part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2016

	<i>Note</i>	Group 2016 \$000	Group 2015 \$000
Loss for the year		(183,981)	(83,499)
Other comprehensive (loss)/ income			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurements of defined benefit liability	20	651	(3,663)
Deferred tax on other comprehensive loss for the year	14	(18)	1,089
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation differences – foreign operations		(12,288)	(8,880)
Other comprehensive loss for the year, net of income tax		(11,655)	(11,454)
Total comprehensive loss for the year		(195,636)	(94,953)

The notes on pages 35 to 82 form part of these financial statements.

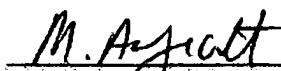
Consolidated Balance Sheet

at 31 December 2016

	Note	Group 2016 \$000	Group 2015 \$000
Non-current assets			
Property, plant and equipment	11	61,982	79,169
Intangible assets	12	214,094	350,842
Goodwill	12	111,423	139,304
Trade and other receivables	16	10,454	266
Investments in equity-accounted investees	13	494	492
Deferred tax assets	14	27,152	17,048
		425,599	587,121
Current assets			
Inventories	15	59,735	77,267
Deferred tax assets	14	-	2,849
Income and other tax receivable	10	-	1,186
Trade and other receivables	16	137,842	163,312
Cash and cash equivalents	17	40,641	35,827
		238,218	280,441
Total assets		663,817	867,562
Current liabilities			
Other interest-bearing loans and borrowings	18	(7,667)	(15,884)
Trade and other payables	19	(158,051)	(193,681)
Deferred tax liability	14	-	(495)
Income and other Tax payable	10	(5,630)	-
Provisions	21	(13,701)	(8,560)
		(185,049)	(218,620)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	(667,442)	(637,757)
Other payables	19	(12,863)	(12,322)
Employee benefits	20	(19,050)	(20,986)
Provisions	21	(5,296)	(8,511)
Deferred tax liabilities	14	(10,331)	(9,944)
		(714,982)	(689,520)
Total liabilities		(900,031)	(908,140)
Net liabilities		(236,214)	(40,578)
Equity attributable to equity holders of the parent			
Share capital	22	167,000	167,000
Retained deficit	22	(385,764)	(202,416)
Translation reserve	22	(17,450)	(5,162)
Total deficit		(236,214)	(40,578)

The notes on pages 35 to 82 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28 April 2017 and were signed on its behalf by:


Mr. Mark Aflatt

Chief Financial Officer Company registered number: 8550309

Company Balance Sheet
at 31 December 2016

	<i>Note</i>	Company 2016 \$000	Company 2015 \$000
Non-current assets			
Intangible assets	12	67,958	147,881
Trade and other receivables	16	-	383,494
Investments in subsidiaries	13	546,939	246,308
		<u>614,897</u>	<u>777,683</u>
Current assets			
Tax receivable		3,892	3,069
Trade and other receivables	16	179,982	200
Cash and cash equivalents	17	472	8,272
		<u>184,346</u>	<u>11,541</u>
Total assets		<u>799,243</u>	<u>789,224</u>
Current liabilities			
Other interest-bearing loans and borrowings	18	(77,745)	(56,229)
Trade and other payables	19	(143,146)	(1,486)
		<u>(220,891)</u>	<u>(57,715)</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	18	(663,197)	(668,762)
Other payables	19	(258)	-
		<u>(663,455)</u>	<u>(668,762)</u>
Total liabilities		<u>(884,346)</u>	<u>(726,477)</u>
Net (liabilities)/assets		<u>(85,103)</u>	<u>62,747</u>
Equity attributable to equity holders of the parent			
Share capital	22	167,000	167,000
Retained deficit	22	(252,103)	(104,253)
Total equity		<u>(85,103)</u>	<u>62,747</u>

The notes on pages 35 to 82 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28 April 2017 and were signed on its behalf by:


Mr. Mark Alflatt

Chief Financial Officer
Company registered number: 8550309

Statement of Changes in Equity

Group

	Note	Share capital \$000	Translation reserve \$000	Retained deficit \$000	Total equity \$000
Balance at 1 January 2015		167,000	3,718	(116,343)	54,375
Loss for the year		-	-	(83,499)	(83,499)
<i>Items that will not be recycled to profit or loss:</i>					
Re-measurement of defined benefit liability	20, 22	-	-	(3,663)	(3,663)
Deferred tax on other comprehensive loss for the year	14	-	-	1,089	1,089
<i>Items that are or may be recycled to profit or loss:</i>					
Foreign currency translation differences – foreign operations, net	22	-	(8,880)	-	(8,880)
Loss for the year		-	(8,880)	(86,073)	(94,953)
Balance at 31 December 2015		167,000	(5,162)	(202,416)	(40,578)
Balance at 1 January 2016		167,000	(5,162)	(202,416)	(40,578)
Loss for the year		-	-	(183,981)	(183,981)
<i>Items that will not be recycled to profit or loss:</i>					
Re-measurement of defined benefit liability	20, 22	-	-	651	651
Deferred tax on other comprehensive loss for the year	14	-	-	(18)	(18)
<i>Items that are or may be recycled to profit or loss:</i>					
Foreign currency translation differences – foreign operations, net	22	-	(12,288)	-	(12,288)
Loss for the year		-	(12,288)	(183,348)	(195,636)
Balance at 31 December 2016		167,000	(17,450)	(385,764)	(236,214)

The notes on pages 35 to 82 form part of these financial statements.

Statement of Changes in Equity

Company

	Share Capital \$000	Retained deficit \$000	Total parent equity \$000
Balance at 1 January 2015	167,000	(60,786)	106,214
Loss for the year	-	(43,467)	(43,467)
Loss for the year	-	(43,467)	(43,467)
Balance at 31 December 2015	167,000	(104,253)	62,747
Balance at 1 January 2016	167,000	(104,253)	62,747
Intercompany dividend	-	4,424	4,424
Loss for the year	-	(152,274)	(152,274)
Loss for the year	-	(147,850)	(147,850)
Balance at 31 December 2016	167,000	(252,103)	(85,103)

The notes on pages 35 to 82 form part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 December 2016

	Note	Group 2016 \$000	Group 2015 \$000
Cash flows from operating activities			
Loss for the year		(183,981)	(83,499)
Adjustments for:			
Depreciation and impairment charge	11	23,575	31,507
Amortisation and impairment charge	12	145,900	35,129
Loss on disposal of property, plant and equipment		1,002	2,216
Gain on sale of subsidiary		(2,836)	(30)
Fair value adjustment		(5,000)	-
Negative goodwill		-	(15,609)
Investment provision	13	-	17,860
IAS 19 pension charge	20	1,426	(11,435)
Income Tax	10	8,660	998
Net foreign exchange losses		15,274	23,751
Net financial expense	9	48,235	43,582
		52,255	44,470
Decrease in trade and other receivables	16	15,281	44,648
Decrease in inventories	15	17,532	25,902
Increase in provisions		1,927	5,292
(Decrease) in trade and other payables	19	(34,781)	(50,264)
Taxation Paid	10	(9,554)	(17,807)
Cash contributions to pension schemes	20	(2,365)	(2,948)
Net cash from operating activities		40,295	49,293
Investing activities			
Purchase of property, plant and equipment	11	(11,545)	(20,543)
Economic benefit received		2,358	2,977
Acquisition of subsidiary	2	(1,683)	-
Acquisition of intangible assets	12	(10,161)	(34,424)
Disposal of property, plant and equipment	11	1,402	-
Disposal of subsidiaries	2	18,243	2,688
Interest received		596	365
IT One time	4	(24,124)	-
Proceeds from Harrow land overage	4	18,506	-
Earn out income		4,000	-
Net cash used in investing activities		(2,408)	(48,937)
Financing activities			
Decrease in long term borrowings	18	(14,348)	(6,000)
Bank borrowings		6,415	-
Decrease in other borrowings	18	-	(6,100)
Interest paid		(19,028)	(18,281)
Net cash used in financing activities		(26,961)	(30,381)
Net decrease in cash and cash equivalents		10,926	(30,025)
Cash and cash equivalents at beginning of the year		35,827	80,028
Effect of exchange rate fluctuations on cash held		(6,112)	(14,176)
Cash and cash equivalents at 31 December	17	40,641	35,827

The notes on pages 35 to 82 form part of these financial statements.

Cash Flow Statement
for the year ended 31 December 2016

	<i>Note</i>	Company 2016 \$000	Company 2015 \$000
Cash flows from operating activities			
Loss for the year		(152,274)	(43,466)
<i>Adjustments for:</i>			
Amortisation and impairment	12	79,923	2,166
Investment provision		6,666	17,860
Income Tax		(3,597)	(1,420)
Foreign exchange loss		24,787	1,693
Royalties income		(14,099)	-
Net intercompany interest		(3,871)	-
Interest expense		47,904	18,730
		(14,561)	(4,437)
Decrease/ (increase) in trade and other receivables	16	(1,629)	772
Increase/ (decrease) in trade and other payables	19	2,105	(10,485)
(Decrease)/ increase in tax payable		(316)	2,668
Net cash used in operating activities		(14,401)	(11,482)
Investing activities			
Dividends received from subsidiaries		4,424	-
Cash received from subsidiaries on liquidation		1,241	-
Interest received		23	24,153
Net cash from investing activities		5,688	24,153
Financing activities			
Repayment of loan	18	(2,600)	(6,000)
Decrease/ (increase) in loans and advances to Group undertakings		144,556	(185,548)
Bank borrowings		6,415	-
(Decrease)/ increase in loans and advances from Group undertakings	18	(130,833)	175,556
Interest paid		(18,460)	(16,957)
Net cash used in financing activities		(922)	(32,949)
Net decrease in cash and cash equivalents		(9,635)	(20,278)
Cash and cash equivalents at beginning of year		8,272	30,656
Effect of exchange rate fluctuations on cash held		1,835	(2,106)
Cash and cash equivalents at 31 December	17	472	8,272

The notes on pages 35 to 82 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

1.1 Basis of Preparation

Kodak Alaris Holdings Limited is a company incorporated and domiciled in the United Kingdom ("UK").

The group financial statements consolidate those of the Company and its subsidiaries, together referred to as the "Group".

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

Accounting developments

Impact of new accounting standards

There have been no new or amended accounting standards that have been adopted by the Group in the year ended 31 December 2016.

New standards and interpretations not yet adopted

The following new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group:

IFRS 9: Financial Instruments is a new standard which enhances the ability of investors and other users of financial information to understand the accounting for financial assets and reduces complexity. The standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the various rules in IAS 39, and also introduces a new expected loss impairment model. This standard is effective for accounting periods commencing on or after 1 January 2018, and the impact is not expected to be material.

IFRS 15: Revenue from Contracts with Customers is a new standard based on a five-step model framework, which replaces all existing revenue recognition standards. The standard requires revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for accounting periods commencing on or after 1 January 2018.

IFRS 16: Leases is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. A lessee will be required to recognise assets and liabilities for all leases with a term of more than 12 months and depreciate lease assets separately from interest on lease liabilities in the income statement. This standard is effective for accounting periods commencing on or after 1 January 2019.

The Directors anticipate that the adoption of these standards and interpretations in future periods, particularly IFRS 15 and IFRS 16 will impact on the financial statements of the Group. Management is currently undertaking an exercise to quantify the impact of IFRS 15.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes (continued)

1 Accounting policies (continued)

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except where the Company has assets and liabilities that are stated at their fair value such as derivative financial instruments.

1.3 Going concern

The Group meets its day-to-day working capital requirements through its operations and existing banking facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance and cost mitigation, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 18.

In particular, the Group had a net deficit of \$236 million at 31 December 2016. As detailed in note 29, the Group undertook a significant financial restructuring which has a positive impact on the Group balance sheet by swapping \$575 million of the Tranche A and Tranche B loan notes due to the Shareholder, KKP2, for new shares in Kodak Alaris Holdings Limited.

1.4 Critical accounting estimates and judgements

The reported results of the Group for the financial year ended 31 December 2016 are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements.

The judgements and assumptions involved in the Group's accounting policies that are considered by the Directors to be the most important to the portrayal of its financial condition are discussed in Note 30.

1.5 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has power over an entity, exposure to variable returns from its involvement with an entity and the ability to use its power over an entity so as to affect the Company's returns. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated on consolidation. All subsidiaries have the same reporting date which are co-terminus with the Group, with the exception of Kodak Alaris India Private Limited, which has a 31 March year-end in line with Indian legislation.

Investments in associates

Investments in associates are stated using the equity method.

1.6 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Notes (continued)

1 Accounting policies (continued)

1.6 Foreign currency (continued)

The Group's presentation currency is US dollars. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentation currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be.

Exchange differences arising from a monetary item, receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are recognised directly in the translation reserve.

Foreign currency differences arising on the retranslation of a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

1.7 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they include no contractual obligations upon the Company (or Group) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavorable to the Company (or Group); and where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

1.8 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, and if the amounts are material, they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, and if the amounts are material, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributed transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

1.9 Derivative financial instruments

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1.10 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The Group capitalises costs directly related to the acquisition or construction of a capital asset if the item has a useful life of three years or more. The Group capitalises costs incurred during the ownership of a capital asset if the expenditure increases the asset's productive capacity, enhances the asset's performance or operating efficiency, or extends the useful life of the asset.

Leases, in which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Where land and buildings are held under lease, the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Land is not depreciated. Typical estimated useful lives are as follows:

- Buildings and building equipment - 5 to 20 years
- Plant and equipment - 5 to 15 years
- Rental equipment - 4 years

1.12 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred; plus the recognised amount of any non-controlling interests in the acquiree; plus the fair value of the existing equity interest in the acquiree; less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Notes (continued)

1 Accounting policies (continued)

1.13 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Deferred COGS

The Group may sell equipment to customers at a price below its cost, on the basis that this deficit will be recovered from the profits of highly probable future sales. This sale is considered to give rise to an intangible asset, which, subject to an impairment review, is recognised at the time of delivery and amortised on a straight-line basis over the period that highly probable sales are expected to be earned.

Other intangible assets

Expenditure on internally generated goodwill and patents is recognised in the income statement as an expense as incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Patents – unexpired life of patents, average approximately 10 years
- Customer relationships – 5 to 15 years
- Capitalised development costs – 3 to 5 years
- Capitalised software development costs – up to 3 years
- Trademarks – 5 years (note: there is considered to be a change in useful life of Trademarks based on association with the Kodak brand name)

1.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

1 Accounting policies (continued)

1.15 Impairment excluding inventories, and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGUs"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

1 Accounting policies (continued)

1.16 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The Group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset). The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA or equivalent, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. In regions where corporate bond markets are not deep or are deep only at low maturities, they are based on government bonds or synthetic yield curves (primarily non-Eurozone countries).

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes (continued)

1 Accounting policies (continued)

1.17 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.18 Revenue

Revenues comprise sales to outside customers after discounts, excluding value added taxes. Revenue transactions include sales of products, equipment, software, services, and integrated solutions. The Company recognises revenue when it is probable that future economic benefits will flow to the entity, and the amount of revenue and costs incurred or to be incurred can be measured reliably.

For product sales, the revenue recognition criteria are generally met when the significant risks and rewards of ownership have transferred to the buyer, which may be upon shipment or upon delivery to the customer, based on contract terms or legal requirements in certain jurisdictions.

For equipment sales, the recognition criteria are generally met when the equipment is delivered and installed at the customer site. Revenue is recognised for equipment upon delivery as opposed to upon installation when the equipment has stand-alone value to the customer, and the amount of revenue allocable to the equipment is not legally contingent upon the completion of the installation. In instances in which the agreement with the customer contains a customer acceptance clause, revenue is deferred until customer acceptance is obtained, provided the customer acceptance clause is considered to be substantive.

For software sales, the revenue recognition criteria generally follow the sale of products.

Revenue from services includes extended warranty, customer support and maintenance agreements, consulting, business process services, training and education. Service revenue is recognised by reference to the stage of completion or, where the service is provided on a continuous basis, rateably over the contractual period. In service arrangements where final acceptance of a system or solution by the customer is required, revenue is deferred until all acceptance criteria have been met.

When an arrangement is comprised of separately identifiable components where revenue recognition occurs at a different time, or the components belong to a different category for disclosure purposes, the consideration is allocated based on relative fair values. This revenue is then recognised for each component on this basis as the products are delivered and services provided, as described above.

At the time revenue is recognised, the Company provides for the estimated costs of customer incentive programs and estimated returns and reduces revenue accordingly. The Company accrues the estimated cost of post-sale obligations, including basic product warranties, based on historical experience at the time the Company recognises revenue.

Notes (continued)

1 Accounting policies (continued)

1.19 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.20 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.21 Exceptional items

Exceptional items are significant items within profit or loss that derive from individual events that fall within the ordinary activities of the Group. They are identified as exceptional by virtue of their size, nature or incidence and have been separately disclosed in order to give a better view of the underlying trading of the group.

Notes (continued)

2 Acquisitions and disposal of subsidiaries

Acquisitions

Identifiable assets acquired and liabilities assumed

The Group acquired Swiss Post Solutions AG on 11 January 2016.

Intangible assets
Tangible assets
Net identifiable assets and liabilities

Consideration paid

Cash
Total consideration

Goodwill arising on acquisition

Fair values recognised at date of acquisition \$000	
	1,240
	298
	1,538
	(1,683)
	(1,683)
	145

Acquisition related costs

The Group incurred acquisition related cost of \$30,000 primarily related to legal services and advisor fees. These costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

Notes (continued)

2 Acquisitions and disposal of subsidiaries (continued)

Disposals

The Group sold the equity of Kodak Alaris (Wuxi) Co Ltd (“Wuxi”), on 30 November 2016 to Sino Promise Neo Tech Holdings Ltd (“Sino”).

Net assets at the disposal date:

Property, plant and equipment	
Intangible assets	
Cash and cash equivalents	
Inventories	
Trade and other receivables	
Trade and other payables	
Other long term liabilities	
Tax liabilities	
Net identifiable assets and liabilities	

Consideration received:

Cash received	
Working capital adjustment	
Total consideration	
Gain on disposal of subsidiary	

Recognised values at date of disposal \$000	
	2,817
	11,726
	1,748
	1,604
	18,088
	(17,544)
	-
	(2,578)
	15,861
	19,965
	(1,468)
	18,497
	2,636

Disposal related costs

The Group incurred disposal related costs of \$170,000 primarily related to legal fees. These costs have been included in administrative expenses in the Group’s consolidated statement of comprehensive income

Notes (continued)

3 Revenue – Group

	IM \$000	I-C \$000	I-PPF \$000	Total 2016 \$000
Sale of goods	157,585	247,949	222,497	628,031
Rendering of services	103,581	78,051	3,249	184,881
Total revenues	261,166	326,000	225,746	812,912

	IM \$000	I-C \$000	I-PPF \$000	Total 2015 \$000
Sale of goods	152,696	291,507	285,465	729,668
Rendering of services	115,906	82,347	3,261	201,514
Total revenues	268,602	373,854	288,726	931,182

Geographical split of revenue

	USA and Canada \$000	Europe, Middle East and Africa \$000	Latin America \$000	Asia Pacific \$000	Total 2016 \$000
Sale of goods	201,270	183,678	76,406	166,677	628,031
Rendering of services	98,535	58,924	5,074	22,348	184,881
Total revenues	299,805	242,602	81,480	189,025	812,912

	USA and Canada \$000	Europe, Middle East and Africa \$000	Latin America \$000	Asia Pacific \$000	Total 2015 \$000
Sale of goods	234,054	220,506	82,625	191,461	728,646
Rendering of	107,661	64,591	8,290	21,994	202,536
Total revenues	341,715	285,097	90,915	213,455	931,182

Notes (continued)

4 Administrative expenses

	Notes	2016 \$000	2015 \$000
Advertising		19,665	21,658
Marketing		20,992	20,487
Sales expenses		46,369	48,944
Depreciation and amortisation		40,203	42,644
Impairment of property, plant and equipment		-	116
General and Administrative		72,752	66,058
Ongoing administration expenses		199,981	199,907
Impairment - Trademark	12	90,000	-
- Goodwill	12	20,000	-
		110,000	-
Restructuring costs	(a)	17,578	9,511
Information systems separation costs	(b)	24,124	8,932
Gain on closure of Russia	(c)	(1,182)	-
Gain on disposal of Wuxi	2	(2,636)	-
EKC earn out income	(d)	(9,000)	-
Profit from land at Harrow	(e)	(18,506)	-
One-off subsidy receipts	(f)	(986)	-
Legal, professional and other costs		945	1,005
Investment provision	(g)	-	17,860
Pension curtailment	20	-	(11,435)
Negative goodwill	(h)	-	(15,609)
Exceptional items		10,337	10,264
		320,318	210,171

- (a) Restructuring costs for 2016 are primarily related to I-PPF manufacturing operations.
- (b) Information systems costs relate to the implementation of our new IT platform.
- (c) The gain on disposal of Russia is the write-off of negative goodwill and negative customer relationships relating to I-PPF.
- (d) Earn out income represents contingent purchase price adjustments in relation to KPP's acquisition of the business from Eastman Kodak Company ("EKC").
- (e) The profit from land at Harrow is settlement of an overage payment based on the uplift value of land previously sold.
- (f) One-off subsidy receipts relate to various subsidiaries received by Kodak Alaris Management (Shanghai) Co. Ltd.
- (g) In 2015, the investment in ITyX Technology GmbH, the software platform for our AI Foundry business, was provided for in full.
- (h) During 2015, reallocation of purchase price and the valuation of acquired assets, liabilities and intangibles (related to the original acquisition from EKC in 2013) resulted in negative goodwill in certain entities.

Notes (continued)

5 Other operating expenses

	2016 \$000	2015 \$000
Rent expenses	6,421	7,949
Other	2,250	3,307
	8,671	11,256

6 Auditor's remuneration:

	2016 \$000	2015 \$000
Audit of these financial statements	764	637
Audit of the statutory financial statements of subsidiaries of the Company	1,117	998
Taxation compliance services	48	-
Audit – related assurance services	7	-
	1,936	1,635

7 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by geography, was as follows:

Group	Number of Employees 2016	Number of Employees 2015
<i>Country/Region</i>		
United Kingdom	363	405
United States & Canada	1,233	1,351
Europe, Africa, Middle East	266	314
Asia-Pacific	580	820
Latin America	240	235
	2,682	3,125
<i>Segment</i>		
IM	1,042	1,078
I-C/I-PPF	1,161	1,091
Shared	479	956
	2,682	3,125

The aggregate payroll costs of these persons were as follows:

	2016 \$000	2015 \$000
Wages and salaries	178,569	204,383
Social security costs	37,854	47,114
Contributions to defined contribution plans	7,164	11,536
Expenses related to defined benefit plans	1,340	1,616
	224,927	264,649

Notes (continued)

8 Directors' remuneration

Group	2016 \$000	2015 \$000
Directors' emoluments	1,570	1,928
Amounts receivable under short term, variable pay schemes	-	676
Company contributions to defined contribution pension plans	-	120
Benefits in kind	-	16
Severance payments	475	346
Amounts paid to third parties in respect of directors' services	72	505
	2,117	3,591

The aggregate of emoluments of the highest paid director was \$712,652 (2015: \$982,000) and Company pension contributions of \$nil (2015: \$nil) were made to a money purchase scheme on his behalf.

	Number of directors 2016	Number of directors 2015
Retirement benefits are accruing to the following number of directors under:		
Defined contribution pension schemes	-	4

9 Finance income and expense

	2016 \$000	2015 \$000
<i>Finance income</i>		
Interest income financial assets	596	365
Total finance income	596	365
<i>Finance expense</i>		
Total interest expense on financial liabilities measured at amortised cost	46,403	42,212
Interest expense on pension obligations	485	601
Foreign exchange loss	7,534	23,751
Interest paid	1,943	1,134
Total finance expense	56,365	67,698

Notes (continued)

10 Taxation

Recognised in the income statement

	2016 \$000	2015 \$000
Current tax expense		
Current year:		
United Kingdom	2,269	859
Foreign	11,410	8,886
Adjustments for prior year	(40)	(2,617)
Current tax expense	13,639	7,128
 Deferred tax credit		
Origination and reversal of temporary differences	(55,941)	(15,068)
Reduction in tax rate	4,511	192
Current year losses for which no deferred tax asset was recognised	46,703	17,404
	(252)	(8,658)
Deferred tax credit	(4,979)	(6,130)
Total tax expense	8,660	998

Reconciliation of effective tax rate

	2016 \$000	2015 \$000
Loss for the year	(183,981)	(83,499)
Total tax expense	8,660	998
Profit excluding taxation	(175,321)	(82,501)
 Tax using the UK corporation tax rate of 20% (2015: 20.25%)	(35,064)	(16,706)
Effect of tax rates in foreign jurisdictions	(11,477)	797
Reduction in tax rate on deferred tax balances	4,511	191
Non-deductible expenses	4,216	8,394
Current year losses for which no deferred tax asset was recognised	46,703	17,404
Over provided in prior years	(229)	(9,082)
Total tax expense	8,660	998

Income tax recognised in other comprehensive income

	2016 \$000	2015 \$000
Foreign exchange translation differences	-	-
Minimum pension liability	(18)	(1,089)
Total tax recognised in other comprehensive income	(18)	(1,089)

Current Income Tax Asset/Liability

	2016 \$000	2015 \$000
Current Asset	-	1,186
Current Liability	(5,630)	-

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

Future rate changes in other jurisdictions are not expected to have a material impact.

Notes (continued)

11 Property, plant and equipment

Group

	Land and buildings \$000	Plant and equipment \$000	Rental Equipment \$000	Under construction \$000	Total \$000
Cost					
Balance at 1 January 2015	35,901	49,922	51,768	15,863	153,454
Transfer to Intangible assets	-	-	-	(15,863)	(15,863)
Acquisitions through business combinations	2,761	-	-	-	2,761
Other acquisitions	20	8,331	10,823	1,235	20,409
Disposals	(1,310)	-	(2,270)	(110)	(3,690)
Transfer from Construction in progress	-	1,149	-	(1,149)	-
Effect of movements in foreign exchange	(1,606)	(497)	(10,045)	24	(12,124)
Balance at 31 December 2015	35,766	58,905	50,276	-	144,947
Balance at 1 January 2016	35,766	58,905	50,276	-	144,947
Acquisitions through business combinations	-	298	-	-	298
Other acquisitions	177	1,554	8,828	986	11,545
Disposals	(2,952)	(7,107)	(4,210)	-	(14,269)
Disposals – business	(2,243)	(1,242)	-	-	(3,485)
Effect of movements in foreign exchange	(1,756)	260	(1,428)	(352)	(3,276)
Balance at 31 December 2016	28,992	52,668	53,466	634	135,760
Depreciation and impairment					
Balance at 1 January 2015	(6,905)	(16,810)	(18,251)	-	(41,966)
Depreciation charge for the year	(2,361)	(13,120)	(15,910)	-	(31,391)
Impairment losses	-	(116)	-	-	(116)
Depreciation on disposals	42	-	1,432	-	1,474
Effect of movements in foreign exchange	356	258	5,607	-	6,221
Balance at 31 December 2015	(8,868)	(29,788)	(27,122)	-	(65,778)
Balance at 1 January 2016	(8,868)	(29,788)	(27,122)	-	(65,778)
Depreciation charge for the year	(2,282)	(6,145)	(14,794)	-	(23,221)
Impairment losses	-	(354)	-	-	(354)
Depreciation on disposals	2,879	6,084	2,903	-	11,866
Depreciation on disposals – business	409	260	-	-	669
Effect of movements in foreign exchange	383	(727)	3,871	(487)	3,040
Balance at 31 December 2016	(7,479)	(30,670)	(35,142)	(487)	(73,778)
Net book value at 31 December 2015	26,898	29,117	23,154	-	79,169
Net book value at 31 December 2016	21,513	21,998	18,324	147	61,982

Property plant and equipment under construction at 31 December 2016 totalled \$147,000 (2015: \$nil) primarily tooling and machinery. The amount of borrowing costs capitalised during the year was nil (2015: nil). Included in plant and equipment are capitalised spare parts used in the ongoing maintenance requirements of the Group. Spare parts are annually reviewed for impairment and a charge of \$354,000 (2015: \$113,000) has been recognised in the year.

Notes (continued)

12 Intangible assets

Group

	Goodwill \$000	Customer Relationships \$000	Trademarks and Patents \$000	Development costs \$000	Software \$000	Other \$000	Total \$000
Cost							
Balance at 1 January 2015	138,173	130,380	214,892	22,802	-	12,150	518,397
Transfer from Property, Plant & Equipment	-	-	-	-	-	15,863	15,863
Disposals	-	(320)	-	-	-	-	(320)
Acquisitions through business combinations	-	-	-	-	-	12,960	12,960
Other acquisitions – internally developed	-	-	-	11,365	-	-	11,365
Other acquisitions – externally purchased	7,903	-	-	-	-	25,700	33,603
Effect of movements in foreign exchange	(6,772)	(5,784)	-	-	-	(505)	(13,061)
Transfer of IT network costs	-	-	-	-	31,731	(31,731)	-
Balance at 31 December 2015	139,304	124,276	214,892	34,167	31,731	34,437	578,807
Balance at 1 January 2016	139,304	124,276	214,892	34,167	31,731	34,437	578,807
Disposals	(928)	(50)	-	-	-	-	(978)
Disposal – Businesses	-	-	-	-	-	(12,374)	(12,374)
Acquisitions through business combinations	145	1,240	-	-	-	-	1,385
Other acquisitions – internally developed	-	-	-	6,111	-	-	6,111
Other acquisitions – externally purchased	-	-	-	-	1,944	2,106	4,050
Transfer to prepayments	-	-	-	-	-	(4,567)	(4,567)
Effect of movements in foreign exchange	(7,098)	(5,496)	-	-	-	(2,025)	(14,619)
Balance at 31 December 2016	131,423	119,970	214,892	40,278	33,675	17,577	557,815
Amortisation and impairment							
Balance at 1 January 2015	-	(19,658)	(21,384)	(5,523)	-	(7,794)	(54,359)
Amortisation for the year	-	(13,626)	(7,079)	(8,663)	-	(5,761)	(35,129)
Effect of movements in foreign exchange	-	824	-	-	-	3	827
Balance at 31 December 2016	-	(32,460)	(28,463)	(14,186)	-	(13,552)	(88,661)
Balance at 1 January 2016	-	(32,460)	(28,463)	(14,186)	-	(13,552)	(88,661)
Amortisation for the year	-	(9,590)	(8,088)	(9,726)	(6,421)	(2,075)	(35,900)
Impairments for the year	(20,000)	-	(90,000)	-	-	-	(110,000)
Disposals	-	527	-	-	-	-	527
Disposals – Business	-	-	-	-	-	648	648
Effect of movements in foreign exchange	-	1,136	-	-	-	(48)	1,088
Balance at 31 December 2016	(20,000)	(40,387)	(126,551)	(23,912)	(6,421)	(15,027)	(232,298)
Net book value at 31 December 2015	139,304	91,816	186,429	19,981	31,731	20,885	490,146
Net book value at 31 December 2016	111,423	79,583	88,341	16,366	27,254	2,550	325,517

Other intangible assets are primarily comprised of the net balance of deferred costs associated with Kiosks. Refer to Accounting Policies note 1.13 for further details. The amortisation expense on other intangibles is recognised in cost of sales in the income statement.

Notes (continued)

12 Intangible assets (continued)

Valuation approaches

In the valuing of intangible assets, neither an active market nor recent market transactions were available and other valuation techniques were used. Valuation techniques applied to appraisal of an intangible asset were broadly classified into one of three approaches: the cost, the market, or the income approach. All three approaches were considered, and the approach or approaches deemed most relevant was then selected for use in the valuation of that asset.

Goodwill

Goodwill has arisen on the acquisition of Swiss Post Solutions during the year as the fair value of acquired assets and liabilities plus identifiable intangible assets is less than the purchase price.

Customer relationships

Swiss Post Solutions customer relationships acquired during 2016 were valued using the comparative income differential method.

Impairment review

Goodwill

The Group's policy is to test goodwill for impairment annually or more frequently if there are indications that it might be impaired. During 2016 the carrying value of goodwill has been assessed by reference to value in use. This has been estimated using cash flows, for the IM and I-C cash generating units, from the most recent forecasts prepared by management, including the budget for the year and the 5 year business plan for periods thereafter. Beyond this period no growth in earnings and cash flows have been assumed.

The key assumptions for the impairment tests are the discount rate and, in the cash flow projections, the growth rates and the impact of the foreign exchange rates on global sales. Impairment tests are performed using prevailing exchange rates.

The pre-tax cash flow projections have been discounted at 10.4% for I-C and 10.5% for IM, based on the weighted average cost of capital, adjusted for specific risks where appropriate.

The analysis performed for the I-C business showed that the segment was affected by lower growth curves associated with new products and this indicated that there is an impairment of goodwill of \$20 million within the I-C business at 31 December 2016.

Sensitivity analysis has been performed on the value in use calculations. Holding all other variables constant, to apply a 2% reduction in total forecast revenues for the I-C segment, would result in a further impairment of \$24 million.

There had been no impairment in the carrying value of goodwill for the IM CGU during the year ended 31 December 2016 or to the point the accounts have been approved.

Other Intangibles

Customer Relationships, Trademarks and Patents have been reviewed for impairment in accordance with the requirements of IAS 36 *Impairment of Assets*. Where an impairment test was considered necessary, the carrying value has been assessed by reference to value in use. These have been estimated using cash flows from the most recent forecasts prepared by management, including the budget for the year and the 5-year business plan for periods thereafter. Beyond this period no growth was assumed.

The key assumptions for the impairment tests are the discount rate and, in the cash flow projections, the growth rates and the impact of the foreign exchange rates on global sales. Impairment tests are performed using prevailing exchange rates.

Notes (continued)

12 Intangible assets (continued)

For the IM segment, based on customer feedback, there is significant effort to rebrand the business as 'Alaris Information Management' with effect from September 2017. There is expected to be less reliance on the 'Kodak' brand name and the revenues associated with it for the IM segment going forward. A valuation of the Trademark based on the relief from royalty method using lower forecast revenues associated with the Kodak name has shown an impairment of \$90 million within the IM CGU.

Sensitivity analysis has been performed on the value in use calculations. Holding all other variables constant, to apply;

- a 5% reduction in total forecast revenues for the I-M segment would result in a further impairment of \$3 million on the Trademark valuation using the royalty relief method.
- a 10% reduction in forecast product revenues for the I-M segment would result in a reduction in value in use of \$23 million.

The analysis performed indicated that there had been no impairment in the carrying value of other intangibles during the year ended 31 December 2016 or to the point the accounts have been approved. Impairment charges are shown as exceptional items in note 4.

Company

The Company has patents and other intangibles are denominated in USD.

	Other Intangibles \$000	Trademarks and Patents \$000	Total \$000
Cost			
Balance at 1 January 2015	2,500	17,921	20,421
Additions	-	135,000	135,000
Balance at 31 December 2015	2,500	152,921	155,421
Balance at 1 January 2016	2,500	152,921	155,421
Balance at 31 December 2016	2,500	152,921	155,421
Amortisation and impairment			
Balance at 1 January 2015	-	(5,374)	(5,374)
Amortisation charge	-	(2,166)	(2,166)
Balance at 31 December 2015	-	(7,540)	(7,540)
Balance at 1 January 2016	-	(7,540)	(7,540)
Amortisation charge	(1,335)	(2,166)	(3,501)
Impairment charge	-	(76,422)	(76,422)
Balance at 31 December 2016	(1,335)	(86,128)	(87,463)
Net book value at 31 December 2015	2,500	145,381	147,881
Net book value at 31 December 2016	1,165	66,793	67,958

Notes *(continued)*

12 Intangible assets *(continued)*

On 1 July 2015, the Company purchased the Kodak brand licence from its subsidiary Kodak Alaris IPCo Switzerland Sarl. The transfer value was \$135 million, which was based on a discounted cash flow calculation of future intercompany royalties, based on revenue projections from the Group's most recent 5-year plan. This value was agreed with the Swiss tax authorities.

Based on the same assessment techniques as described for the Group, the Company identified and booked \$76.4 million of brand impairment charges in 2016 (2015: nil).

Notes (continued)

13 Investments in subsidiaries

Company	Country of Incorporation	Class of shares held	Ownership %	2016 \$000	2015 \$000
Kodak Alaris Argentina S.A.I.C. ⁽²⁾	Argentina	Ordinary	75%	5,752	5,752
Kodak Alaris Australia Pty. Limited	Australia	Ordinary	100%	500	500
Kodak Alaris International Limited Zweigniederlassung Österreich ⁽¹⁾	Austria	Ordinary	100%	-	-
Kodak Alaris Belgium SA ⁽³⁾	Belgium	Ordinary	99%	224	224
Kodak Alaris Manaus Indústria e Comércio de Material Fotográfico Ltda. ⁽³⁾	Brazil	Ordinary	99%	2,082	2,082
Kodak Alaris (Brazil) Comércio de Material Fotográfico e Serviços Ltda. ⁽³⁾	Brazil	Ordinary	99%	4,744	4,744
Kodak Alaris Operations Canada Inc.	Canada	Ordinary	100%	1,043	1,043
Kodak Alaris Imaging Equipment (Shanghai) Co. Ltd. ⁽¹⁾	China	Ordinary	100%	-	-
Kodak Alaris (Wuxi) Co. Ltd. ⁽⁵⁾	China	Ordinary	0%	-	-
Kodak Alaris Management (Shanghai) Co. Ltd ⁽¹⁾	China	Ordinary	100%	-	-
Kodak Alaris Denmark Branch, Filiation of Kodak Alaris International Limited ⁽¹⁾	Denmark	Ordinary	100%	-	-
Kodak Alaris International Limited, Finnish Branch ⁽¹⁾	Finland	Ordinary	100%	-	-
Kodak Alaris France SAS	France	Ordinary	100%	815	815
Kodak Alaris Germany GmbH	Germany	Ordinary	100%	6,034	6,034
Kodak Alaris Hong Kong Ltd.	Hong Kong	Ordinary	100%	2,600	2,600
Kodak Alaris Limited Ireland Branch ⁽¹⁾	Ireland	Ordinary	100%	-	-
Kodak Alaris India Private Limited	India	Ordinary	99.9%	1,755	1,755
Kodak Alaris Italy S.R.L.	Italy	Ordinary	100%	11	-
Kodak Alaris Japan Kabushiki-Kaisha ⁽⁸⁾	Japan	Ordinary	100%	-	2,314
Kodak Alaris Korea Limited ⁽⁹⁾	Korea	Ordinary	0%	-	600
Kodak Alaris Services Mexico, S.A. De C.V. ⁽³⁾	Mexico	Ordinary	99.9%	4	4
Kodak Alaris Mexico S.A. de C.V. ⁽³⁾	Mexico	Ordinary	99.9%	2,104	2,104
Kodak Alaris Netherlands B.V.	Netherlands	Ordinary	100%	-	-
Limited Liability Company Kodak Alaris Rus ⁽⁷⁾	Russia	Ordinary	100%	-	821
Kodak Alaris Singapore Pte. Ltd.	Singapore	Ordinary	100%	3,000	3,000
Kodak Alaris Spain, S.L.U.	Spain	Ordinary	100%	-	-
Kodak Alaris Sweden AB	Sweden	Ordinary	100%	7	7
Kodak Alaris ICo Switzerland Sarl ⁽⁶⁾	Switzerland	Ordinary	100%	51,083	51,083
Kodak Alaris Switzerland Sarl	Switzerland	Ordinary	100%	2,242	2,242
Kodak Alaris Thailand Limited ⁽⁴⁾	Thailand	Ordinary	0.01%	-	-
Kodak Alaris International Limited ⁽¹⁾ *	United Kingdom	Ordinary	100%	515	515
Kodak Alaris Limited	United Kingdom	Ordinary	100%	18,069	18,069
Kodak Alaris International Limited Dubai Branch ⁽¹⁾	UAE	Ordinary	100%	-	-
Kodak Alaris Inc. ⁽¹⁰⁾	United States	Ordinary	100%	444,355	140,000
				546,939	246,308

* As permitted by s479A of the Companies Act 2006, the Group has taken the advantage of the audit exemption in relation to the individual accounts of these companies

(1) Held by subsidiary undertaking

(2) The Company holds 75% directly with the remainder held by other subsidiaries

(3) The Company holds 99% to 99.9% directly with the remainder held by other subsidiaries

(4) The Company holds ~0.01% directly with the remainder held by other subsidiaries. This entity is in the process of being liquidated.

(5) Held by subsidiary undertaking in 2015 and disposed of during 2016. See disposal note 2 in these accounts.

(6) The Company held 100% in 2016 and was liquidated on 31 March 2017

(7) LLC Kodak Alaris Russia entity was liquidated in April 2016

(8) The investment in Kodak Alaris Japan Kabushiki-Kaisha was fully provided for in 2016

(9) The investment in Kodak Alaris Korea Limited was liquidated on 6 September 2016

(10) On 3 January 2016, a capital contribution of \$304.4 million was made by the Company in Kodak Alaris Inc., effectively capitalising debt owed by Kodak Alaris Inc. to the Company

Notes (continued)

13 Investments in subsidiaries (continued)

All subsidiaries have the same reporting date with the exception of Kodak Alaris India Private Limited, which has a 31 March year end, in line with Indian legislation.

There are no material non-controlling interests in any of the above investments as the Group holds 100% of all subsidiary entities when stakes held by intermediate holding companies are considered.

Investments in associates

Group	Country of Incorporation	Class of shares held	Ownership %	2016 \$000	2015 \$000
KK East West	Japan	Ordinary	25.0%	293	284
Fotomarket	Italy	Ordinary	20.9%	201	208
ITyX Technology GmbH	Germany	Ordinary	25.1%	17,860	17,860
				18,354	18,352
Provision				(17,860)	(17,860)
				494	492
				2016 \$000	2015 \$000
Balance at beginning of the year				492	18,670
Provision				-	(17,860)
Shares sold in the year				-	(37)
Share of results of associates				-	(176)
Effect of movements in foreign exchange				2	(105)
Balance at the end of the year				494	492

The results of all associated undertakings are individually and in their entirety not material to the Group and hence have not been included in the Group's financial statements.

Company	Country of Incorporation	Class of shares held	Ownership %	2016 \$000	2015 \$000
ITyX Technology GmbH	Germany	Ordinary	25.1%	17,860	17,860
				17,860	17,860
Provision				(17,860)	(17,860)
				-	-

In 2015, we discontinued our relationship with ITyX Technology GmbH, the software platform for our AI Foundry business unit. The discontinuation of the relationship is subject to legal proceedings. The financial impact of the legal proceedings with ITyX was not material to the 2016 financial performance of the Group and although the financial impact going forward is unknown, it will not be material to the 2017 financial performance of the Group.

Notes (continued)

14 Deferred tax assets and liabilities

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2016 \$000	Liabilities 2016 \$000	Assets 2015 \$000	Liabilities 2015 \$000
Property, plant and equipment	14,042	(834)	132	(531)
Intangible assets	3,760	(7,750)	8,975	(5,170)
Inventories	505	-	209	430
Financial assets	-	-	(18)	-
Employee benefits	6,914	(1,311)	8,228	(1,318)
Provisions	1,691	(331)	1,178	(1)
Tax value of loss carry-forwards	165	-	806	127
Other	75	(105)	387	(3,976)
Total Tax	27,152	(10,331)	19,897	(10,439)
		16,821		9,458

Movement in deferred tax during the year

	1 January 2016 \$000	Recognised in income \$000	Recognised in equity \$000	Acquired or Disposed in business combination \$000	31 December 2016 \$000
Property, plant and equipment	(399)	14,359	-	(752)	13,208
Intangible assets	3,805	(7,887)	-	92	(3,990)
Inventories	638	170	-	(303)	505
Financial assets	(19)	19	-	-	-
Employee benefits	6,909	(1,288)	(18)	-	5,603
Provisions	1,178	182	-	-	1,360
Tax value of loss carry-forwards utilised	934	(641)	-	(127)	166
Other	(3,588)	66	-	3,491	(31)
	9,458	4,980	(18)	2,401	16,821

	1 January 2015 \$000	Recognised in income \$000	Impact of currency \$000	Recognised in equity \$000	Acquired in business combination \$000	31 December 2015 \$000
Property, plant and equipment	1,773	(3,111)	-	-	939	(399)
Intangible assets	(13,703)	17,607	-	-	(99)	3,805
Inventories	298	(79)	-	-	419	638
Financial assets	-	(19)	-	-	-	(19)
Employee benefits	10,400	(4,544)	-	1,089	(36)	6,909
Provisions	1,613	(359)	-	-	(76)	1,178
Tax value of loss carry-forwards utilised	344	590	-	-	-	934
Other	(815)	(3,955)	577	-	605	(3,588)
	(90)	6,130	577	1,089	1,752	9,458

Notes (continued)

14 Deferred tax assets and liabilities (continued)

The Group has certain unrecognised deferred tax assets related to its operations in the United States and United Kingdom. The Group has not recognized the deferred tax benefit on these assets as we expect to generate continued tax deductions in excess of book value, and are unable to estimate the expected reversal of certain deferred tax liabilities which may generate future taxable income. This makes the Group's ability to estimate overall future taxable income at the legal entity level uncertain at this time.

These unrecognised assets total \$181 million (2015: \$137 million), of which approximately \$146 million relate to US operations (2015: \$119 million). Of the total \$181 million in unrecognised deferred tax assets (2015: \$137 million), approximately \$37 million result from acquired intangibles (2015: \$43 million).

Company

There was no movement in deferred tax during the year

15 Inventories

Group

	2016 \$000	2015 \$000
Raw materials and consumables	9,391	19,088
Work in progress	3,889	20,264
Finished goods	46,455	37,915
	59,735	77,267

Included within inventories is \$12 million (2015: \$14 million) for the Group expected to be recovered in more than 12 months.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to \$372 million (2015: \$628 million). The write-down of inventories to net realisable value amounted to \$6 million (2015: \$10 million). There were no reversals of write-downs during the year (2015: \$nil).

Notes (continued)

16 Trade and other receivables

Group

	2016 \$000	2015 \$000
Trade receivables	114,313	113,669
Other receivables	15,882	34,233
Unbilled revenue	7,087	749
Prepayments	11,014	14,927
	148,296	163,578
Non-current	10,454	266
Current	137,842	163,312
	148,296	163,578

Company

	2016 \$000	2015 \$000
Other trade receivables	1,623	-
Interest receivable	-	23,299
Prepayments	544	200
Amounts due from Group undertakings	177,815	360,195
	179,982	383,694
Non-current	-	383,494
Current	179,982	200
	179,982	383,694

There were no material amounts pledged as collateral for the year (2015: nil).

17 Cash and cash equivalents

Group

	2016 \$000	2015 \$000
Cash and cash equivalents per balance sheet	40,641	35,827

Company

	2016 \$000	2015 \$000
Cash and cash equivalents per balance sheet	472	8,272

Notes (continued)

18 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 23. The Group renegotiated its credit facilities and changed its capital and debt structure in early 2017, see note 29.

Group

	2016	2015
	\$000	\$000
Non-current liabilities		
Loan notes	646,963	621,796
Interest payable	16,234	8,870
Other borrowings	4,245	7,091
	667,442	637,757
Current liabilities		
Other borrowings	7,666	10,738
Interest payable	1	5,146
	7,667	15,884

Company

	2016	2015
	\$000	\$000
Non-current liabilities		
Loan notes	646,963	621,796
Loans from associates/ subsidiaries	-	38,096
Interest payable	16,234	8,870
	663,197	668,762
Current liabilities		
Loan from associate/subsidiaries	71,330	51,083
Interest payable	-	5,146
Other Borrowings	6,415	-
	77,745	56,229

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2016 \$000	Carrying amount 2016 \$000	Face value 2015 \$000	Carrying amount 2015 \$000
\$300M Tranche A Loan Notes	USD	LIBOR +5%	2021	271,800	271,800	274,400	274,400
\$300M Tranche B Loan Notes	USD	LIBOR +7%	2028	375,163	375,163	347,396	347,396
Other borrowings	INR	12.25%	2019	1,596	1,596	2,231	2,231
Promissory Note	USD	0%	2020	400	400	500	500
Assumed Loan notes	USD	2%	2023	3,500	3,500	4,360	4,360
Other borrowings (current)	GBP	3.0%-3.25%	2016	6,415	6,415	-	-
Other borrowings	CNY	3.0%-3.25%	2016	-	-	10,738	10,738
				658,874	658,874	639,625	639,625

Notes (continued)

19 Trade and other payables

Group

	2016 \$000	2015 \$000
Current		
Trade payables	61,162	76,006
Deferred revenue	54,383	42,570
Non-trade payables and accrued expense	42,506	75,105
	158,051	193,681
Non-current		
Other payables	5,288	10,782
Deferred revenue	7,575	1,540
	12,863	12,322

Company

	2016 \$000	2015 \$000
Current		
Amounts due to Kodak Alaris IPco Sarl (1)	51,631	51,083
Amounts due to other Group undertakings	88,937	-
Other trade payables and accrued expense	2,578	1,486
	143,146	52,569
Non-current		
Other payables	258	-

(1) This balance represents the investment in Kodak Alaris IPco Sarl which was liquidated on 31 March 2017.

20 Employee benefits

Pension Plans

The Company sponsors various pension schemes in accordance with local regulations and practices. Eligibility for participation in the various plans is either based on completion of a specified period of continuous service, or date of hire. The plans generally are financed by employee and employer contributions. Among these schemes are defined contribution plans as well as defined benefit plans.

Defined contribution plans

The Company's contributions under these plans amounted to \$7,164,000 (2015: \$11,536,000) during the year.

Defined benefit plans

The Company operates defined benefit plans in various countries, the main locations being Germany, the Netherlands and Switzerland. Approximately 61% of the total defined benefit obligation accrued to date relates to the defined benefit plans in Germany, which for the most part are pension plans that provide benefits to members in the form of a guaranteed level of pension payable for life.

The majority of benefit payments are from funded arrangements; however, there are also a number of unfunded plans where the Company meets the benefit payments as they come due. Plan assets held in funded arrangements are governed by local regulations and practices in each country and are generally held at third-party insurers. Assets and liabilities from the former Eastman Kodak Company defined benefit plans in each relevant country transferred to the Company's plans in accordance with local statutory requirements and procedures. The movement in the defined benefit obligation and fair value of plan assets over the prior and current years is as follows:

Notes (continued)

20 Employee benefits (continued)

	Present value of defined benefit obligation 2016 \$000	Fair value of plan assets 2016 \$000	Net balance sheet position 2016 \$000
Amounts recognised at 01 January 2016	(44,093)	23,107	(20,986)
IAS 19 Cost			
Current service cost	(1,559)	-	(1,559)
Past service cost – plan amendments	133	-	133
Past service cost – curtailments	-	-	-
Interest (expense)/income	(950)	492	(458)
Benefit Cost Recognised in Income Statement	(2,376)	492	(1,884)
Actuarial gains/(losses)			
Return on plan assets, excluding interest expense	-	3,299	3,299
Gain from change in demographic assumptions	62	-	62
Loss from change in financial assumptions	(594)	-	(594)
Loss from actuarial experience	(2,116)	-	(2,116)
Actuarial (losses)/gains recognised in consolidated statement of other comprehensive income	(2,648)	3,299	651
Cash flow			
Employer contributions	-	2,368	2,368
Employee contributions	(98)	98	-
Benefits paid directly by the Company	327	(327)	-
Benefits paid from plan assets	322	(322)	-
Net cash (out flow)/in flow	551	1,817	2,368
Other			
Exchange differences	1,889	(1,088)	801
Total other	1,889	(1,088)	801
Amounts recognised at 31 December 2016	(46,677)	27,627	(19,050)

Notes (continued)

20 Employee benefits (continued)

	Present value of defined benefit obligation 2015 \$000	Fair value of plan assets 2015 \$000	Net balance sheet position 2015 \$000
Amounts recognised at 01 January 2015			
IAS 19 Cost	(57,018)	24,223	(32,795)
Current service cost	(1,616)	-	(1,616)
Past service cost – plan amendments	125	-	125
Past service cost – curtailments	11,435	-	11,435
Interest (expense)/income	(1,172)	571	(601)
Benefit Cost Recognised in Income Statement	8,772	571	9,343
Actuarial gains/(losses)			
Return on plan assets, excluding interest expense	-	(1,010)	(1,010)
Loss from change in financial assumptions	(2,826)	-	(2,826)
Loss from actuarial experience	173	-	173
Actuarial (losses)/gains recognised in consolidated statement of other comprehensive income	(2,653)	(1,010)	(3,663)
Cash flow			
Employer contributions	-	2,944	2,944
Employee contributions	(135)	135	-
Benefits paid directly by the Company	1,406	(1,406)	-
Benefits paid from plan assets	432	(432)	-
Net cash (out flow)/in flow	1,703	1,241	2,944
Other			
Exchange differences	5,103	(1,918)	3,185
Total other	5,103	(1,918)	3,185
Amounts recognised at 31 December 2015	(44,093)	23,107	(20,986)

Details of the plans for both the balance sheet and the weighted average duration of the defined benefit obligation as at 31 December are shown below:

	2016 \$000	2015 \$000
Present value of defined benefit obligation	(46,677)	(44,093)
of which: amounts owing to active members	(36,685)	(42,918)
of which: amounts owing to not active members	(9,521)	(1,175)
of which: amounts owing to pensioners	(471)	-
Fair value of plan assets	27,627	23,107
Net defined benefit asset/(liability)	(19,050)	(20,986)
Weighted average duration of defined benefit obligation	20 Years	19 Years

Notes (continued)

20 Employee benefits (continued)

Disaggregation of fair value plan assets by class are shown below:

	Quoted 2016 \$000	Other 2016 \$000	Total 2016 \$000
Plan Assets			
Cash	-	-	-
Fixed Income	-	-	-
Equities	-	-	-
Other	-	27,627	27,627
Total	-	27,627	27,627

The principal assumption used at year-end was the discount rate. The weighted-average discount rate used at year-end 2016 was 2% (2015: 2.2%).

Other significant assumptions include the rate of future salary increases and the rate of future pension increases. The weighted-average salary increase assumption at year end was 2.6% (2015: 3.0%). The weighted-average future pension increase assumption was 1.1% (2015: 1.5%).

Mortality assumptions are based on the latest available standard mortality tables for the individual countries concerned. For example, in Germany, the life expectancy for a male aged 65 at the balance sheet date is 19.13 years, while the life expectancy at age 65 for a male aged 40 at the balance sheet date is 21.13 years.

The past service credit in 2016 of USD 133k resulted from changes to commitments in Switzerland related to the prior Eastman Kodak plan.

The Company expects to make a contribution of \$1,541k (2015: \$1,782k) to the defined benefit plans, including benefit payments to participants in unfunded plans, during the next financial year.

The fair value of plan assets includes no amounts relating to any of the Company's own financial instruments or any of the property occupied by or other assets used by the Company.

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Change in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans insurance holdings.

Life expectancy: Some of the plans obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans liability.

Salary increases: Some of the plans benefit obligations related to active members are linked to their salaries. Higher salary increases will therefore tend to lead to higher plan liabilities.

Investment risk is managed through the use of third-party insurance contracts as funding vehicles.

Notes (continued)

20 Employee benefits (continued)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table shows the sensitivity of the defined benefit obligation to changes in each significant assumption:

	Increase/(decrease) in defined benefit obligation (\$000)
Discount rate – Increase by 100 basis points	(8,150)
Rate of salary increase – Increase by 100 basis points	1,849
Rate of pension increase – Increase by 100 basis points	5,836

Funding

Contributions to the defined benefit plans are generally made in accordance with the relevant insurance tariffs and are intended to meet or exceed minimum funding requirements based on local statutory and contractual requirements and associated taxation rules.

21 Provisions

Group	Warranties \$000	Restructuring \$000	Asset Retirement Obligations \$000	Total \$000
Balance at 1 January 2015	4,185	7,402	10,775	22,362
Provisions made during the year	8,731	5,100	68	13,899
Provisions used during the year	(8,991)	(8,830)	(348)	(18,169)
Provisions reversed during the year	-	(402)	-	(402)
Effect of movement in foreign exchange	(145)	(117)	(357)	(619)
Balance at 31 December 2015	3,780	3,153	10,138	17,071
Non-current	-	-	8,511	8,511
Current	3,780	3,153	1,627	8,560
	3,780	3,153	10,138	17,071
Balance at 1 January 2016	3,780	3,153	10,138	17,071
Provisions made during the year	4,718	17,971	393	23,082
Provisions used during the year	(1,999)	(13,780)	(45)	(15,824)
Provisions reversed during the year	(3,254)	(685)	(10)	(3,949)
Effect of movement in foreign exchange	70	(718)	(735)	(1,383)
Balance at 31 December 2016	3,315	5,941	9,741	18,997
Non-current	-	-	5,296	5,296
Current	3,315	5,941	4,445	13,701
	3,315	5,941	9,741	18,997

Notes (continued)

21 Provisions (continued)

The Group provides warranties in connection with equipment sold and generally these cover a period of one year.

Provisions for restructuring include severance costs and are expected to be utilised within a year. The provision is based on those restructuring actions which have been approved and communicated as of 31 December 2016.

Provisions for asset retirement obligations include the cost of remediating asbestos contained in buildings the Company owns, as well as the cost of removing and disposing of equipment loaned to customers. Provisions for asbestos remediation costs are estimates of future remediation costs based on current rates and assumed settlement dates which are not known with certainty as of the balance sheet date. The provision for removing and disposing loaned equipment can be expected to be utilised in three to five years.

22 Capital and reserves

Share capital

	2016 Number 000s	2016 \$000	2015 Number 000s	2015 \$000
Issued for cash ordinary shares of \$1.00 each	167,000	167,000	167,000	167,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Dividends

No dividends were recognised during the period and no dividends were proposed by the directors after the balance sheet date.

The Group changed its capital and debt structure in early 2017, see note 29.

Notes (continued)

22 Capital and reserves (continued)

Other comprehensive income – Current year Group

	Translation reserve	Retained deficit	Total other comprehensive income
	\$000	\$000	\$000
1 January 2015	3,718	(116,343)	(112,625)
Other comprehensive loss	-	(83,499)	(83,499)
<i>Items that will not be recycled to profit or loss:</i>			
Re-measurements of defined benefit liability	-	(3,663)	(3,663)
Deferred tax on other comprehensive loss for the year	-	1,089	1,089
<i>Items that are or may be recycled to profit or loss:</i>			
Foreign currency translation differences – foreign operations, net	(8,880)	-	(8,880)
Total other comprehensive income 31 December 2015	(5,162)	(202,416)	(207,578)
1 January 2016	(5,162)	(202,416)	(207,578)
Other comprehensive loss	-	(183,981)	(183,981)
<i>Items that will not be recycled to profit or loss:</i>			
Re-measurements of defined benefit liability	-	651	651
Deferred tax on other comprehensive loss for the year	-	(18)	(18)
<i>Items that are or may be recycled to profit or loss:</i>			
Foreign currency translation differences – foreign operations, net	(12,288)	-	(12,288)
Total other comprehensive income 31 December 2016	(17,450)	(385,764)	(403,214)

Company

1 January 2015	-	(60,786)	(60,786)
Other comprehensive loss	-	(43,467)	(43,467)
Total other comprehensive income 31 December 2015	-	(104,253)	(104,253)
1 January 2016	-	(104,253)	(104,253)
Other comprehensive loss	-	(147,850)	(147,850)
Total other comprehensive income 31 December 2016	-	(252,103)	(252,103)

Notes (continued)

23 Financial Instruments

(a) Fair values of financial instruments

For financial instruments not held at fair value, the carrying value is deemed to be a reasonable approximation of fair value.

There are no significant derivative financial instruments at 31 December 2016 (2015 – none).

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows.

Level 1 – quoted prices for similar instruments;

Level 2 – directly observable market inputs other than Level 1 inputs; and

Level 3 – inputs not based on observable market data.

No financial instruments are carried at fair value under level 1 or level 3 of the hierarchy table.

Group	Level	Carrying amount 2016 \$000	Fair value 2016 \$000	Carrying amount 2015 \$000	Fair value 2015 \$000
Financial liabilities measured at amortised cost					
Tranche A CISX Listed Loan Notes Libor+5% Maturity 2021	2	271,800	271,800	274,400	274,400
Tranche B CISX Listed Loan Notes Libor+7% Maturity 2028	2	375,163	375,163	347,396	347,396
Promissory Note 0% Maturity 2020	2	400	400	500	500
Assumed Loan notes 2% Maturity 2023	2	3,500	3,500	4,360	4,360
Other borrowings 12.25% Maturity 2019	2	1,596	1,596	2,231	2,231
Other borrowings 3.0% - 3.25% Maturity 2016	2	-	-	10,738	10,738
Revolving Credit Facility	2	6,415	6,415	-	-

Company	Level	Carrying amount 2016 \$000	Fair value 2016 \$000	Carrying amount 2015 \$000	Fair value 2015 \$000
Financial liabilities measured at amortised cost					
Tranche A CISX Listed Loan Notes Libor+5% Maturity 2021	2	271,800	271,800	274,400	274,400
Tranche B CISX Listed Loan Notes Libor+7% Maturity 2028	2	375,163	375,163	347,396	347,396
Loans due to Subsidiaries	2	71,330	71,330	196,291	196,291
Revolving Credit Facility	2	6,415	6,415	-	-

Notes (continued)

23 Financial Instruments (continued)

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment cash held with financial institutions.

Group

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Deposits are only made with pre-approved counterparties. Credit evaluations are performed on all customers requiring credit. At the balance sheet date there were significant concentrations of credit risk exposure to retail customers in the Imaging Consumer business. This is driven by the seasonality of sales. Management are confident about the recoverability of these balances with the majority of amounts outstanding at 31 December 2016 having been collected post year-end.

Company

The Company has no receivables due from an external third party and hence has no external credit risk as at the reporting date.

Exposure to credit risk

The maximum exposure to credit risk at the balance sheet date by class of financial instrument was as follows:

	2016 \$000	2015 \$000
Cash and cash equivalents	40,641	35,827
Trade receivables	104,646	108,093

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was as follows:

	2016 \$000	2015 \$000
US and Canada	36,394	35,649
Europe, Middle East and Africa	35,903	39,398
Asia Pacific	15,252	14,671
Latin America	17,097	18,375
	<u>104,646</u>	<u>108,093</u>

Notes (continued)

23 Financial Instruments (continued)

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

Group	Gross 2016 \$000	Impairment 2016 \$000	Gross 2015 \$000	Impairment 2015 \$000
Not past due	82,754	(14)	94,501	(608)
Past due 0-30 days	15,002	-	10,363	(87)
Past due 31-120 days	4,974	(308)	1,998	(102)
More than 120 days	5,830	(3,592)	10,991	(8,963)
	108,560	(3,914)	117,853	(9,760)

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Group

The Group's policy on funding is to ensure that it has access to liquidity and has appropriate funding structures in place so that there is always sufficient long-term funding and short-term facilities in place to meet foreseeable peak borrowing requirements.

At the date of these accounts, the Group had a \$67 million revolving credit facility in place with its principal lender, HSBC Bank Plc. In April 2017 the Group successfully renewed the facility to June 2020, with an option to extend to June 2021. The renewed facility progressively reduces to \$50 million over the coming three years as certain milestones and dates are achieved.

The facility contains certain financial covenants of which a future breach may require the Company to repay any outstanding utilisation earlier than indicated. These covenants are closely monitored by management on a regular basis.

The Board believes this facility provides sufficient liquidity to meet the requirements of the Group's subsidiaries.

Company

The Company's liquidity requirements are supported by both the Group's revolving credit facility and the funding structures that are in place.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

Notes (continued)

23 Financial Instruments (continued)

Group	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
2016	\$000	\$000	\$000	\$000	\$000	\$000
Tranche A Loan Notes	271,800	334,405	21,588	83,918	228,899	-
Tranche B Loan Notes	375,163	871,870	-	-	-	871,870
Interest payable (long term)	16,234	16,234	-	-	-	16,234
Promissory Note – EPM	400	400	100	100	200	-
Assumed Loan notes	3,500	3,780	570	560	1,620	1,030
Other borrowings	1,596	1,934	768	694	472	-
Interest payable	1	1	1	-	-	-
Revolving Credit Facility	6,415	6,415	6,415	-	-	-
Trade payables	63,424	63,424	63,424	-	-	-
2015						
Tranche A Loan Notes	274,400	346,197	19,850	20,128	191,588	114,631
Tranche B Loan Notes	347,396	754,087	-	-	-	754,087
Interest payable (long term)	8,870	8,870	-	-	-	8,870
Promissory Note – EPM	500	500	100	100	300	-
Assumed Loan notes	4,360	4,360	580	570	570	2,640
Other borrowings	2,231	2,231	595	595	1,041	-
Other borrowings	10,738	10,738	10,738	-	-	-
Interest payable	5,146	5,146	5,146	-	-	-
Trade payables	76,006	76,006	76,006	-	-	-

Company	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
2016	\$000	\$000	\$000	\$000	\$000	\$000
Tranche A Loan Notes	271,800	334,405	21,588	83,918	228,899	-
Tranche B Loan Notes	375,163	871,870	-	-	-	871,870
Loans due to Group undertakings	71,330	71,330	71,330	-	-	-
Interest payable (long term)	16,234	16,234	-	-	-	16,234
Revolving Credit Facility	6,415	6,415	6,415	-	-	-
2015						
Tranche A Loan Notes	274,400	346,197	19,850	20,128	191,588	114,631
Tranche B Loan Notes	322,716	754,087	-	-	-	754,087
Loans due to Group undertakings	196,291	196,291	-	-	-	196,291
Interest payable (long term)	8,870	8,870	-	-	-	8,870
Interest payable	5,146	5,146	5,146	-	-	-

Notes (continued)

23 Financial Instruments (continued)

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Foreign currency and interest rate risk

Group

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of the Group. The functional currencies of Group's major trading companies are USD, EUR and RMB. The currencies in which these transactions are primarily denominated are also USD, EUR and RMB.

Company

At 31 December 2016 the Group has not yet finalised its review around exchange rate and interest rate risk.

Market risk - Foreign currency risk

The exposure to foreign currency risk is as follows based on the carrying amount for monetary financial instruments:

Group	Sterling	Euro	US Dollar	RMB	Other	Total
2016	\$000	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	394	1,560	7,567	18,896	12,224	40,641
Trade receivables	4,118	32,133	34,826	-	33,569	104,646
Borrowings, including interest	(6,415)	-	(667,097)	-	(1,596)	(675,108)
Trade payables	(8,351)	(3,008)	(32,752)	-	(19,313)	(63,424)
2015						
Cash and cash equivalents	998	2,095	21,511	-	11,223	35,827
Trade receivables	3,664	28,166	31,571	-	44,692	108,093
Borrowings, including interest	-	-	(635,812)	-	(7,091)	(642,903)
Trade payables	(6,135)	(17,693)	(40,866)	-	(11,312)	(76,006)

Notes (continued)

23 Financial Instruments (continued)

(d) Market risk

Market risk - Foreign currency risk

Company 2016	Sterling \$000	Euro \$000	US Dollar \$000	Swiss Franc \$000	Other \$000	Total \$000
Cash and cash equivalents	93	147	216	-	16	472
Investments in Group Undertakings	18,584	7,084	517,478	2,241	1,552	546,939
Loans from Group Undertakings	-	27,130	33,998	4,659	4,957	70,744
Borrowings, including interest	(6,415)	-	(663,197)	-	-	(669,612)
Trade payables	(1,528)	-	(1,308)	-	-	(2,836)
Amounts due to Group Undertakings	-	(747)	(138,344)	-	(1,476)	(140,567)
2015						
Cash and cash equivalents	507	1,012	5,725	-	1,028	8,272
Investments in Group Undertakings	18,584	7,073	214,541	2,242	3,868	246,308
Loans from Group Undertakings	202,425	(86,419)	204,880	-	39,309	360,195
Borrowings, including interest	-	-	(635,811)	-	-	(635,811)
Trade payables	-	-	-	-	-	-
Amounts due to Group Undertakings	-	(4,629)	(69,397)	(4,864)	(10,290)	(89,180)

Sensitivity analysis

Group

A 10% percent strengthening of the following currencies against the US dollar at 31 December 2016 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	Equity 2016 \$000	Profit or loss 2016 \$000	Equity 2015 \$000	Profit or loss 2015 \$000
Euro	-	3,069	-	(9,130)
Pound Sterling	-	(1,033)	-	(147)

A 10% percent weakening of the above currencies against the US dollar at 31 December 2016 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes (continued)

23 Financial Instruments (continued)

(d) Market risk

Sensitivity analysis

Company

A 10% percent strengthening of the following currencies against the US dollar at 31 December 2016 would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant:

	Equity 2016 \$000	Profit or loss 2016 \$000	Equity 2015 \$000	Profit or loss 2015 \$000
Euro	-	3,674	-	(8,225)
Pound Sterling	-	(3,205)	-	22,550

A 10% percent weakening of the above currencies against the US dollar at 31 December 2016 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Market risk – Interest rate risk

Profile

At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

Group	2016 \$000	2015 \$000
Variable rate instruments		
Financial assets	-	-
Financial liabilities – Tranche A & Tranche B CISX Listed Loan Notes	646,963	621,796
Company	2016 \$000	2015 \$000
Variable rate instruments		
Financial assets	-	-
Financial liabilities – Tranche A & Tranche B CISX Listed Loan Notes	646,963	621,796

Sensitivity analysis

A change of 100 basis points in interest rates at the balance sheet date would have increased/ (decreased) net assets and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps.

Notes (continued)

23 Financial Instruments (continued)

Market risk – Interest rate risk

Sensitivity analysis

Group	2016 \$000	2015 \$000
Profit or loss		
Increase	32,439	51,152
Decrease	32,439	55,342
Company	2016 \$000	2015 \$000
Profit or loss		
Increase	32,439	51,152
Decrease	32,439	55,342

(e) Capital management

Company & Group

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide optimal returns for its Parent company, and to maintain an efficient capital structure.

In doing so, the Group's strategy is to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility. To achieve this strategy and maintain this position, the Group ensures a combination of short-term liquidity headroom with a long-term debt maturity profile. As at the balance sheet date the Group's average debt maturity profile was 8.5 years.

In order to maintain or realign the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, or sell assets to reduce debt.

24 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Group	Property \$000	Vehicles \$000	Equipment \$000	Total \$000
2016				
Less than one year	8,483	3,795	17	12,295
Between one and five years	10,123	5,892	10	16,025
More than five years	1,365	-	-	1,365
	19,971	9,687	27	29,685
2015				
Less than one year	8,893	4,621	181	13,695
Between one and five years	14,623	7,128	55	21,806
More than five years	1,643	-	-	1,643
	25,159	11,749	236	37,144

During the year \$11 million (2015: \$18 million) was recognised as an expense in the income statement in respect of operating leases.

Notes (continued)

25 Commitments

Capital commitments

There are no material capital commitments for the Group at 31 December 2016.

Off-balance sheet arrangements

The Group is party to lease arrangements primarily associated with facilities that are not reflected on the balance sheet. The leases have varying terms including escalation clauses and renewal rights none of these terms represent unusual arrangements or create material onerous obligations. The future aggregate minimum lease payments under non-cancellable operating leases and associated future minimum sublease income are disclosed in Note 24.

Guarantees and indemnities

The Company has issued certain guarantees in respect of a number of third parties. The guarantees held on behalf of the Company by HSBC totals \$7 million (2015: \$13 million).

The Company has issued certain guarantees in relation to its subsidiaries. In line with our policy no amount was considered probable hence no contingent liabilities have been recorded.

26 Contingencies

Group and the Company

The Group and the Company is not currently involved in any litigation that is likely to result in any material liability and hence no provision is required.

Notes (continued)

27 Related parties

The Group had related party transactions with its directors, various pension schemes and its ultimate parent. The disclosure of the director's remuneration is reported under Note 8 and transactions with the pension schemes are disclosed in Note 20. The Group also has minor equity accounted investments but there were no transactions recorded between the Group and these investees. None of the Directors or their immediate relatives own shares of the Company. All transactions have been conducted on an arms-length basis.

Group

Related Party 2016	Interest expense \$000	Amounts owed to related party \$000
Ultimate parent of the Group	45,926	663,197
Associates	-	-
	45,926	663,197
2015		
Ultimate parent of the Group	40,931	621,796
Associates	-	-
	40,931	621,796

Company

The Company had related party transactions with its Directors, Subsidiary Holdings and Ultimate Parent. The disclosure of the director's remuneration is reported under Note 8 - Director's Remuneration.

Related Party 2016	Interest and royalty income \$000	Interest and royalty expense \$000	Amounts owed by related party \$000	Amounts owed to related party \$000
Ultimate parent of the Group	-	45,918	-	663,197
Subsidiaries	18,978	1,008	177,815	140,568
Associates	-	-	-	-
	18,978	46,926	177,815	803,765
2015				
Ultimate parent of the Group	-	40,931	-	621,796
Subsidiaries	33,642	59	360,195	89,179
Associates	-	-	-	-
	33,642	40,990	360,195	710,975

In addition to the transactions and balances shown in the above tables, the Group and the Company have been charged \$400,000 (2015: \$400,000) for professional services provided to the ultimate parent company by Ross Trustees Services Limited. Of the amount charged, \$20,000 was outstanding at 31st December 2016 (2015: \$nil).

Notes (continued)

28 Ultimate parent company

The Company is wholly and ultimately owned by KPP (no. 2) Trustees Limited (a company registered in England with registered number 8819827) in its capacity as trustee of the Kodak Pension Plan (no. 2) ("KPP2").

It was previously wholly and ultimately owned by KPP Trustees Limited (a company registered in England with registered number 07717152) in its capacity as trustee of the Kodak Pension Plan (the "KPP Trustee" and the "KPP"). The KPP Trustee was a creditor of EKC in its US chapter 11 bankruptcy case. As part of the settlement of the KPP Trustee's claim in this case, it acquired the Company's business from EKC (to be held by the Company and its subsidiaries) and also agreed with the UK pension regulatory authorities to establish a new pension plan – KPP2. The transfer of legal ownership of the Company took place on 9 April 2014.

29 Subsequent events

Harrow Land Sale

On 13 April 2016, it was announced that Kodak Alaris would outsource the manufacture of Colour Negative Paper to Carestream Health in Windsor, Colorado as a result of industry declines in this market. It was also announced that Thermal Paper products finished on the Harrow site would be transitioned to Felix Schoeller, a major supplier to Kodak Alaris, in Germany. In Q4 2016, these actions were completed (with minimal disruption to our customers) and manufacturing operations in our Harrow facility ceased. On 31 March 2017, contracts were exchanged with Harrow View LLP for the sale of land at Harrow with completion on 28 April 2017. The agreement was to sell the site 'as is' meaning that no costs in connection with site remediation or demolition are expected. Sales proceeds of \$72 million have been agreed with \$40 million expected on completion at 28 April 2017 and the remainder in April 2018.

Credit facility renewal

The Company has renewed its revolving credit facility with its principal lender, HSBC Bank, for \$67 million (reducing to \$55 million once completion of the sale of land at Harrow occurs). This reduces to \$50 million over the term of facility which initially runs to June 2020 with an HSBC option to extend by one further year to June 2021.

Balance sheet restructuring

The company undertook a significant financial restructuring in early 2017 with the objective of normalising the capital structure and balance sheet gearing levels while providing capacity for future third party debt capacity to fund investment in its growth ventures. The transactions undertaken were to swap \$575 million of the current (April 2017) \$675 million Tranche A and Tranche B loan notes due to the shareholder, KPP2, for new shares in Kodak Alaris Holdings Ltd. The remaining \$100 million of Tranche B was also amended such that no cash interest is payable until maturity in 2028 with the effect that there will be no planned debt related cash payments to KPP2 until that final maturity.

On 7 April 2017 KPP2 released \$575,347,642 of debt in consideration for the issue of 100 additional \$1 ordinary shares with a share premium of \$575,347,542. In addition, the Company proposes to reduce its share capital by extinguishing its share premium account above to create distributable reserves. The projected status of the Company after the transaction, based on the current balance sheet, is as follows:

Notes (continued)

29 Subsequent events (continued)

Proforma Balance sheet		Statutory Accounts	Debt swapped	Proforma
		KAHL	for equity	KAHL
	Note	2016		2016
		\$000	\$000	\$000
Non-current assets				
Intangible assets		67,958		67,958
Trade and other receivables		-		-
Investments in subsidiaries		546,939		546,939
		614,897		614,897
Current assets				
Tax receivable		3,892		3,892
Trade and other receivables		179,982		179,982
Cash and cash equivalents		472		472
		184,346		184,346
Total assets		799,243		799,243
Current liabilities				
Trade and other payables		(2,578)		(2,578)
Other liabilities		(140,568)		(140,568)
Other interest-bearing loans and borrowings		(77,745)		(77,745)
		(220,891)		(220,891)
Non-current liabilities				
Other interest-bearing loans and borrowings	1	(663,197)	563,197	(100,000)
Other payables		(258)		(258)
		(663,455)	563,197	(100,258)
Total liabilities		(884,346)	563,197	(321,149)
Net (liabilities)/assets		(85,103)	563,197	478,094
Equity attributable to equity holders of the parent				
Share capital		167,000		167,000
Retained deficit		(252,103)		(252,103)
Capital Contribution Reserve		-	563,197	563,197
Total equity		(85,103)	563,197	478,094

Notes

1. The actual amount of the Debt-Equity swap of \$575,347,542 incorporated interest of \$12,150,000 capitalised for 2017.

Notes (continued)

29 Subsequent events (continued)

This transaction has a significant and positive impact on the Group balance sheet and will be of benefit to all the Group's stakeholders including our customers, suppliers, employees, shareholders and existing and future capital providers.

In the future, cash distributions to KPP2, the company's sole shareholder, will be made with the levels being guided by reference to the Dividend Policy described below.

Kodak Alaris Holdings Limited Dividend Policy:

In 2018 and subsequent years, subject to any limitations noted here, the Company will pay KPP2 (by way of cash dividend) the maximum amount which it can legally pay on the basis of the distributable reserves shown in the audited accounts for the previous year. The dividends will be subject to any limitations required by third party debt providers such as any Revolving Credit Facility or other Term Debt Facility providers and subject to the Board being satisfied on the availability of minimum cash and liquidity levels, the future cash needs of the business for normal operations including cash requirements for investment and otherwise that the payment is in the best interests of the Company.

30 Accounting estimates and judgements

Preparing these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense.

Key sources of estimation uncertainty

Key assumptions concerning the future and key sources of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year include the following.

Defined benefit pension schemes

Determining the value of future defined benefit pension obligations requires the use of certain assumptions including inflation rates, salary increases and mortality rates, among others. These assumptions are applied on the advice of an independent actuary.

Amortisation and impairment of intangibles

The amortisation of intangible assets requires estimates to be made of their economic useful life to determine the appropriate rate of amortisation. Future impairment analysis may lead to write-offs of the unamortised balances.

Impairment of Goodwill

Goodwill is not amortised, but is tested annually for impairment and carried at cost less accumulated impairment losses. Future impairment review calculations require the use of estimates related to the profitability and cash-generating ability of the acquired businesses and the discount rate used in discounting these projected cash flows.

Notes (continued)

30 Accounting estimates and judgements (continued)

Key areas of judgement

Capitalisation of development costs

The Group undertakes development activities and capitalises certain expenditures as internally generated intangible assets when certain criteria are met. Judgement is required to determine when accumulation of costs to be capitalised begins and ends as well as determining the appropriate amortisation period. In 2016 the Group capitalised \$6.1 million (2015: \$11.4 million) in development costs. If a product is determined to become obsolete in a future period, the unamortised balance would need to be written off.

Contingent consideration

The valuation of contingent consideration requires judgement, including assessing the probability and quantum of the expected payment. The Group uses all available information, including current and forecasted performance under earn-out arrangements to assess the required level of provision.

Other key areas of judgement

The Group considers the following areas to be key areas of judgement and as discussed in note 1 to these financial statements; Provisions (note 1.17), Revenue recognition (note 1.18) and Tax (note 1.20).