DIRECT CONSOLIDATION

1

ALPHA	Year 1	Disposal	Gain on disposals	Loss on disposals	Capital increase	Net variation	Year 2
Lands	1,000	(1,500)	500				0
Fin.invest./BETA	5,000				2,400		7,400
Fin.invest./GAMMA	2,100	(800)		(400)			900
Fin.invest./DELTA	3,600						3,600
Receivables/3rd Parties	1,500					100	1,600
Receivables/DELTA						1,000	1,000
Cash	800					700	1,500
	14,000						16,000

2

ALPHA	Year 1	Dividends	Approp.	Result	Provisions	Net variation	Year 2
Capital	5,000						5,000
Retained earnings	3,000		100				3,100
Result	400	(300)	(100)	800			800
Provisions	1,000				200		1,200
Payables/3rd Parties	4,600					1,300	5,900
	14,000						16,000

3

ALPHA	
Result	800
Depreciations	0
Provisions	200
Gain/disposals	(500)
Loss/disposals	400
Cash Flow	900
Net v s	(1,100)
Net variation of payables	1,300
Cash from operating activities	1,100
Investments	
Tangibles assets acquisitions	0
Financial assets acquisitions	(2,400)
Disinvestments	
Tangibles assets disposals	1,500
Financial assets disposals	800
Cash from investment activities	(100)
Capital increase	0
Dividends paid (M)	(300)
Dividends paid (other cies)	0
Cash from financial activities	(300)
Net cash variation	700
Cash variation from balance	700

ALPHA – Statutory cash flow statement

Most of the figures in this cash flow statement are just picked up from the flows justifying the accounts evolution.

However, here are some additional comments:

- We are aware of the fact that there are intercompany receivables with company DELTA for 1000, but at this moment we just think 'statutory" and we consider the evolution of this account, including the intercompany, as 1100 = [1600 + 1000] – 1500.

- The subscription to BETA capital increase appears as a financial investment. At consolidation level, we will have to come back to this booking.

- We know ALPHA sold lands to company BETA for a price of 1500, making a profit of 500. Two flows are used to describe the transaction: one flow showing the price paid (cash item and one flow showing the gain (non cash item). It is the amount of 1500 that appears in the cash flow statement while the amount of 500 is just ignored.

- The same comment is made for the selling of GAMMA shares for a book value of 1200. In fact, we show the price received of 800 (cash item) and the loss on disposal for 400 (non cash item), separately.

- Dividends paid is a cash out for the group.

Notice that finally the "Appropriation flow" which can be considered as a "Transfer flow" is the only one that does not appear in the cash flow statement.

The net cash variation of 700 corresponding to the addition of "Cash from operating activities", "Cash from investment activities" and "Cash from financial activities" is equal to the cash variation deducted from the balance evolution.

This is a mandatory technical validation.

BETA	Year 1	Acquisitions	Disposals	Deprec.	Net variation	Year 2	1
Lands	0	1,500				1,500	
Tangible assets (acq.val.)	3,000	1,800	(800)			4,000	
Tangible assets (deprec.)	(1,200)			(600)		(1,800)	
Fin.invest./DELTA		4,000				4,000	
Receivables/3rd Parties	5,000				2,000	7,000	
Cash	1,200				(200)	1,000	
	8,000					15,700	

BETA	Year 1	Approp.	Result	Capital increase	Provisions!	Net variation	Year 2	2
Capital	3,000			3,000			6,000	
Retained earnings	2,000	300					2,300	
Result	300	(300)	900				900	
Provisions	500				100		600	
Payables/3rd Parties	2,200					3,700	5,900	
	8,000						15,700	

BETA		3
Result	900	
Depreciations	600	
Provisions	100	
Gain/disposals	0	
Loss/disposals	0	
Cash Flow	1,600	
Net variation of receivables	(2,000)	
Net variation of payables	3,700	
Cash from operating activities	3,300	
Investments		
Tangibles assets acquisitions	(3,300)	
Financial assets acquisitions	(4,000)	
Disinvestments		
Tangibles assets disposals	800	
Financial assets disposals	0	
Cash from investment activities	(6,500)	
Capital increase	3,000	
Dividends paid (M)	0	
Dividends paid (other cies)	0	
Cash from financial activities	3,000	
Net cash variation	(200)	

Cash variation From balance	(200)	4

BETA – Statutory cash flow statement

Again, all statutory flows, except 'Appropriation flow", find their place in the cash flow statement.

- The investments in tangible assets for 3300 include Lands for 1500 and Tangible assets for 1800
- The lands have been disposed by ALPHA at a price of 1500, including the gain of 500. At statutory level, we keep this price as it is but in the final consolidated cash flow statement, the amount will not appear anymore because it is a group transaction.
- The disposal of tangible assets for an amount of 800 has been made without a gain or loss, otherwise we would see a corresponding flow
- The increase in capital by 3000 appears on the correct line, but in the consolidated cash flow statement this amount will show only the cash brought by the 3rd Parties. The subscription of 2400 by ALPHA will be eliminated.

GAMMA	Year 1	Acquisitions	Disposals	Gain on disposals	Deprec.	Net variation	Year 2
Lands	1,000		(1,300)	300			0
Tangible assets (acq.val.)	4,000	2,000	(1,000)				5,000
Tangible assets (deprec.)	(800)				(500)		(1,300)
Receivables/3rd Parties	2,000					1,000	3,000
Cash	800					500	1,300
	7,000						8,000

1

GAMMA	Year 1	Approp.	Result	Net variation	Year 2
Capital	2,000				2,000
Retained earnings	(500)	(400)			(900)
Result	(400)	400	(200)		(200)
Payables/3rd Parties	5,900			1,200	7,100
	7,000				8,000

2

GAMMA	
Result	(200)
Depreciations	500
Provisions	0
Gain/disposals	(300)
Loss/disposals	0
Cash Flow	0
Net variation of receivables	(1,000)
Net variation of payables	1,200
Cash from operating activities	200
Investments	
Tangibles assets acquisitions	(2,000)
Financial assets acquisitions	
Disinvestment's	
Tangibles assets disposals	2,300
Financial assets disposals	
Cash from,investment activities	300
Capital increase	0
Dividends paid (M)	0
Dividends paid (other cies)	0
Cash from financial activities	0
Net cash variation	500
Cash variation from balance	500

3

GAMMA - Statutory cash flow statement

This presentation may look unusual because **GAMMA** is now consolidated by the equity method and all that information is not necessary.

We will see later on that like for closing amounts, nearly all flows in the statutory cash flow statement will also be eliminated.

- The disposal of lands is supposed to have been made with 3rd Parties and the gain is maintained as it is.
- The disposal of tangible assets for 1000 gives no gain or loss.

Be sure to always validate the "Net cash variation" that must be equal to the cash variation in the balance sheet.

DELTA (CUR)	Year 1	Deprec.	Net variations	Dividends	Year 2
Tangible assets (acq.val.)	8,000				8,000
Tangible assets (deprec.)	(4,000)	(800)			(4,800)
Receivables/3rd Parties	8,000		6,000		14,000
Cash	6,000		(800)	(400)	4,800
	18,000				22,000

1

DELTA (CUR)	Year 1	Dividends	Approp.	Result	Provisions	Net variation	Year 2
Capital	8,000						8,000
Retained earnings	4,000		200				4,200
Result	600	(400)	(200)	1,000			1,000
Provisions	1,400				600		2,000
Payables/3rd Parties	4,000					1,550	5,550
Payables/ALPHA						1,250	1,250
	18,000						22,000

2

DELTA (EUR)	Year 1	Deprec.	Net variations	Dividends	Trans. adjust.	Year 2
Tangible assets (acq.val.)	6,400				800	7,200
Tangible assets (deprec.)	(3,200)	(480)			(640)	(4,320)
Receivables/3rd Parties	6,400		3,600		2,600	12,600
Cash	4,800		(480)	(280)	280	4,320
	14,400				3,040	19,800

3

DELTA (EUR)	Year 1	Dividends	Approp.	Result	Provisions	Net variation	Trans. adjust.	Year 2
Capital	7,200							7,200
Retained earnings	3,400		140					3,540
Result	420	(280)	(140)	600				600
Trans. adjust.	(940)						1,480	540
Provisions	1,120				360		320	1,800
Payables/3rd Parties	3,200					930	865	4,995
Payables/ALPHA						750	375	1,125
	14,400						3,040	19,800

4

DELTA – Statutory cash flow statement

Here we start with flow information in local currency.

Only one item needs a comment: the flow dividends on the cash account. The general principle for flows is to apply the Year 2 average rate for their translation into EUR. But there are some exceptions as for the dividends flow on the equity side which is translated at the Year 1 average rate.

Considering the fact these dividends are valuated with such rate, then the payment must also be valuated with the same rate. That's the reason why we extract a flow dividends for (400) from the net variation of cash for (1200). The remaining (800) is supposed to represent cash operations with the outside world and valuated at Year 2 average rate.

The main principles for the translation are

- Year 1 amounts at Year 1 closing rate 0.8
- Year 2 amounts at Year 2 closing rate 0.9
- All flows at Year 2 average rate 0.6, except "Dividends" and "Appropriation" flows at Year 1 average rate 0.7.

To balance in EUR the relation 'Opening + Sum of flows = Closing" for each line, we need to introduce a "Translation adjustment" flow.

One important check consists in verifying that the sum of this flow must be equal on assets and liabilities sides. This is the case with a total of 3040. If the payment of the dividends would have been translated at Year 2 average rate, for sure we would have found a mistake already in the statutory cash flow statement which would have been carried over in the consolidated cash flow statement.

DELTA (EUR)	Year 1	Deprec.	Net variation	Dividends	Trans. adjust.	Year 2	1
Tangible assets (acq.val.)	6,400				800	7,200	
Tangible assets (deprec.)	(3,200)	(480)			(640)	(4,320)	
Receivables/3rd Parties	6,400		3,600		2,600	12,600	
Cash	4,800		(480)	(280)	280	4,320	
	14,400				3,040	19,800	

DELTA (EUR)	Year 1	Dividends	Approp.	Result	Provisions	Net variation	Trans. adjust.	Year 2	2
Capital	7,200							7,200	
Retained earnings	3,400		140					3,540	
Result	420	(280)	(140)	600				600	
Trans adjust.	(940)						1,480	540	
Provisions	1,120				360		320	1,800	
Payables/3rd Parties	3,200					930	865	4,995	
Payables/ALPHA						750	375	1,125	
	14,400						3,040	19,800	

DELTA		3
Result	600	
Depreciations	480	
Provisions	360	
Gain/disposals	0	
Loss/disposals	0	
Cash Flow	1,440	
Net variation of receivables	(3,600)	
Net variation of payables	1,680	
Cash from operating activities	(480)	
Investments		
Tangibles assets acquisitions	0	
Financial assets acquisitions	0	
Disinvestments		
Tangibles posals	0	
Financial posals	0	
Cash from investment activities	0	
Capital increase	0	
Dividends paid (M)	0	
Dividends paid (other cies)	(280)	
Cash from financial activities	(280)	
Net cash variation	(760)	
Cash variation from balance	(760)	

Here are the main comments for this cash flow statement

- There are intercompany payables with company ALPHA, which are ignored at the statutory level. So we consider an evolution of these payables from 3200 to 6120 = 4995 + 1125, taking into account the existence or a translation adjustment flow for 1240 = 865 + 375.
- As for the previous companies, "Appropriation" flows are ignored
- The "Dividends" flow appears for (280) = (400) CUR * 0.7, the Year 1 average rate
- There are no transactions on Tangible assets accounts (investments) nor on Financial assets accounts
- All translation adjustments flows are considered as non cash items and are ignored in the cash flow statement.