

# Example Special Purpose Financial Statements – Single Company

Grant Thornton CLEARR Example Pty Ltd

31 December 2011



The BMD Group (BMD) is one of Australia's largest privately owned construction, consulting and urban development organisations. Through a relationship established in 2003, Grant Thornton Australia has provided audit and tax services to the group and has seen the business grow its revenue from \$100m to close to \$1b.

“The team show genuine interest in our business and industry sector. The directors and senior managers at Grant Thornton are always available to discuss areas of concern and respond promptly when contacted with well researched responses to our queries,” said Craig Mortensen, Chief Financial Officer of the BMD Group.

“Regular business updates from Grant Thornton have been invaluable. They have allowed us to plan for changes and adapt our business model to mitigate any adverse impacts. Our Grant Thornton team regularly identifies issues, such as the accounting of treatment of certain transactions during the acquisition or divestment process, that could be addressed immediately rather than waiting to deal with them as part of the year-end audit. This approach expedites the end of year process and provides the Board with confidence in the reported results prior to audit sign-off.”

### **Craig Mortensen**

Chief Financial Officer  
BMD Group

(Pictured with Dan Carroll, Partner, Audit & Assurance)



# Introduction

## **Example Special Purpose Financial Statements 2011**

The preparation of financial statements in accordance with Australian Accounting Standards (AASBs) [Australian Equivalents to International Financial Reporting Standards (AIFRS)] has been challenging over the last reporting season with the implementation of new disclosure requirements in respect of business combinations, segment reporting and the presentation of the primary statements within the financial report. The upcoming reporting season sees a period of consolidation and refinement, as there are minimal changes to the financial reporting requirements. However, preparers need to be wary of the next oncoming wave of changes currently unfolding in the next couple of years with the completion of the various convergence projects between the International Accounting Standards Board (IASB)/Financial Accounting Standards Board (FASB), especially in the areas of financial instruments, revenue and leasing.

Should preparers like to discuss the recent developments within these areas and how these may impact upon your business, please contact your local Grant Thornton Australia contact, or the National Accounting Support (NAS) team on [nationalaudit.support@au.gt.com](mailto:nationalaudit.support@au.gt.com). There are also various publications (TA and EI Alerts) on our website [www.grantthornton.com.au](http://www.grantthornton.com.au) which provide an overview of these developments.

Grant Thornton Australia is pleased to publish *Example Special Purpose Financial Statements 2011*, which is based on the recent Grant Thornton International publication, however has been tailored to suit the Australian financial reporting and regulatory environment. This publication is intended to illustrate the 'look and feel' of AIFRS financial statements and to provide a realistic example of their presentation.

*Example Special Purpose Financial Statements 2011* is based on the activities and results of Grant Thornton CLEARR Example Pty Ltd (the Company) - a fictional IT entity that has been preparing special purpose financial statements for several years. The form and content of these financial statements depend of course on the activities and transactions of each entity. Our objective in preparing *Example Special Purpose Financial Statements 2011* was to illustrate one possible approach to financial reporting by an entity engaging in transactions that are 'typical' across a range of non-specialist sectors. However, as with any example, this illustration does not envisage every possible transaction and cannot therefore be regarded as comprehensive. Management is responsible for the fair presentation of financial statements and therefore may find other approaches more appropriate in their specific circumstances.

*Example Special Purpose Financial Statements 2011* has been reviewed and updated to reflect changes in AASBs that are effective for the year ending 31 December 2011. However, no account has been taken of any new developments published after **31 August 2011**. The Grant Thornton website contains any updates that are relevant for 31 December 2011 financial statements including our December 2011 'Updated Accounting Standards issued by the IASB/AASB but not yet applicable'.

### **Using this publication**

In some areas alternative presentation and disclosure approaches are also illustrated in the Appendices.

For further guidance on the Standards and Interpretations applied, reference is made to Australian Accounting Standards and Interpretations sources throughout the document on the left hand side of each page.

The use of this publication is not a substitute for the use of a comprehensive and up to date disclosure checklist to ensure completeness of the disclosures in the financial statements.

### **Andrew Archer**

National Head of Audit & Assurance  
Grant Thornton Australia Ltd

November 2011

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CA 298(1)

# Directors' Report

CA 299(2)(b)

Your directors present their report on Grant Thornton CLEARR Pty Ltd ('the Company' or 'Grant Thornton CLEARR') for the financial year ended 31 December 2011.

CA 300(1)(c)

## **Directors**

The names of the directors in office at any time during or since the end of the year are:

Mr Blake Smith  
Ms Beth King  
Mr Simon Murphy  
Mrs Alison French  
Mr William Middleton (appointed 28 May 2011)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

CA 299(1)(ii)

## **Review of operations and financial results**

A review of the operations of the Company during the financial year and the results of those operations found that the changes in market demand and competition have seen an increase in sales of 7.1% to \$472,149,000. The profit of the Company for the financial year after providing for income tax amounted to \$32,757,000 (2010: \$21,849,000).

CA 299(1)(b)

## **Significant changes in state of affairs**

No significant changes in the Company's state of affairs occurred during the financial year.

CA 299(1)(c)

## **Principal activities**

The principal activities of the Company during the financial year were:

- Sale, customisation and integration of IT and telecommunication systems;
- Maintenance of IT and telecommunications systems; and
- Internet based selling hardware and software products.

There have been no significant changes in the nature of these activities during the year.

CA 299(1)(d)

## **Events arising since the end of the reporting period**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.



CA 299(1)(e)

**Future development, prospects and business strategies**

CA 299(3)

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

CA 299(1)(f)

**Environmental issues**

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

CA 300(1)(a)

**Dividends paid or recommended**

Dividends paid or declared since the start of the financial year are as follows:

- A fully franked dividend of \$4,000,000 was paid during the year as recommended in last year's report.

CA 300(1)(e)

**Options**

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

CA 300(1)(g)

**Indemnities given and insurance premiums paid to auditors and officers**

During the year, Grant Thornton CLEARR paid a premium to insure officers of the Company. The officers of the Company covered by the insurance policy include all directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Company against a liability incurred as such by an officer or auditor.

CA 300(14)

**Proceedings on behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

CA 298(1)(c)

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10 and forms part of this directors' report.

**Rounding of amounts**

ASIC CO 98/100

Grant Thornton CLEARR is a type of Company referred to in ASIC Class Order 98/100 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

CA 298(2)(a)

Signed in accordance with a resolution of the Board of Directors:

CA 298(2)(c)

\_\_\_\_\_  
Name  
Director

CA 298(2)(b)

Dated this      day of **Month** 2011

# Auditor's Independence Declaration

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ACN 130 913 594

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## **To the Directors of Grant Thornton CLEARR Example Pty Ltd**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Grant Thornton CLEARR Example Pty Ltd for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A Archer  
Director – Audit & Assurance

Sydney, 31 March 2012

## Guidance Note: Statement of Comprehensive Income

AASB 101 *Presentation of Financial Statements* (Revised 2007) permits the statement of comprehensive income to be presented:

- in a **single** statement of comprehensive income, or
- in **two** statements: a statement displaying components of profit or loss (separate income statement) and a statement of comprehensive income.

The example financial statements illustrate a statement of comprehensive income in a **single** statement. A two statement presentation is shown in Appendix B.

This statement of comprehensive income format illustrates an example of the 'nature of expense method'. See Appendix A for a format illustrating the 'function of expense' or 'cost of sales' method.

This statement of comprehensive income presents an 'operating profit' subtotal, which is commonly seen but is not required or defined in AASB's. Where this subtotal is provided, the figure disclosed should include items that would normally be considered to be operating. It is inappropriate to exclude items clearly related to operations (e.g. inventory write-downs and restructuring and relocation expenses) on the basis that they do not occur regularly or are unusual in amount (see AASB 101 Basis for Conclusions paragraph 56).

This statement of comprehensive income includes an amount representing the entity's share of profit from equity accounted investments. This amount represents profit after tax and non-controlling interest in those investments (as indicated in the Illustrative Financial Statement Structure in AASB 101).

AASB 101 (Revised 2007) requires the entity to disclose reclassification adjustments and related tax effects relating to components of other comprehensive income either on the face of the statement or in the notes.

In this example the entity presents reclassification adjustments and current year gains and losses relating to other comprehensive income on the face of the statement of comprehensive income (AASB 101.92). An entity may instead present reclassification adjustments in the notes, in which case the components of other comprehensive income are presented after any related reclassification adjustments (AASB 101.94).

According to AASB 101.90 an entity shall disclose the amount of income tax relating to each component of other comprehensive income, either on the face of the statement of comprehensive income or in the notes. In this example the entity presents components of other comprehensive income before tax with one amount shown for the aggregate amount of income tax relating to all components of other comprehensive income (AASB 101.91(b)). Alternatively, the entity may present each component of other comprehensive income net of related tax effects, AASB 101.91(a). If the tax effects of each component of other comprehensive income are not presented on the face of the statement this information shall be presented in the notes (see note 20).

# Statement of Comprehensive Income

## For the year ended 31 December 2011

AASB 101.51(e)	Note	2011 \$'000s	2010 \$'000s
AASB 101.82(a)			
Revenue	2	472,149	440,963
Other income	3	742	192
Changes in inventories of finished goods and work in progress		(3,523)	(782)
Raw materials and consumables used		(137,078)	(131,118)
Employee benefits expense		(227,169)	(221,724)
Depreciation and amortisation expenses		(18,872)	(20,363)
Other expenses		(37,397)	(32,844)
AASB 101.82(b)			
Finance costs	4	(2,061)	(2,979)
		<hr/>	<hr/>
	4	46,791	31,345
AASB 101.82(d)			
Income tax expense	5	(14,034)	(9,496)
		<hr/>	<hr/>
AASB 101.82(f)			
<b>Profit for the year</b>		<b>32,757</b>	<b>21,849</b>
AASB 101.82(g)			
<b>Other comprehensive income:</b>			
Cash flow hedges			
- transferred to profit or loss, net of tax		-	(2)
- transferred to inventory, net of tax		(3)	(7)
Gains on property revaluation		-	1,400
Net change in the fair value of cash flow hedges taken to equity, net of tax		(7)	(18)
		<hr/>	<hr/>
<b>Other comprehensive income for the year, net of income tax</b>	<b>20</b>	<b>(10)</b>	<b>1,373</b>
AASB 101.82(i)			
<b>Total comprehensive income for the year</b>		<b>32,747</b>	<b>23,222</b>

These financial statements should be read in conjunction with the accompanying notes.

## Guidance Note: Statement of Financial Position

The statement of financial position complies with AASB 101 *Presentation of Financial Statements* (Revised 2007).

The statement of financial position includes a current/non-current distinction. When presentation based on liquidity is reliable and more relevant, the entity can choose to present the statement of financial position in order of liquidity (AASB 101.60). The entity will then not present a current/non-current distinction in the statement of financial position. However the disclosure requirements for amounts expected to be recovered or settled before or after 12 months must still be applied (AASB 101.61).

The *Example Special Purpose Consolidated Financial Statements 2011* use the terminology in AASB 101 (Revised 2007), however an entity may use other titles (e.g. balance sheet) for the primary financial statements (AASB 101.10).

# Statement of Financial Position

## As at 31 December 2011

	Note	2011 \$'000	2010 \$'000
AASB101.60, AASB101.66			
<b>Current assets</b>			
AASB101.54(i)	8	26,136	5,524
AASB101.54(h)	9	14,336	13,178
AASB101.54(g)	10	39,525	43,048
	11	3,180	2,788
		<u>83,177</u>	<u>64,538</u>
AASB101.60, AASB101.66			
<b>Non-current assets</b>			
AASB101.54(h)	9	145	145
		1,260	1,445
AASB101.54(a)	13	127,253	134,014
AASB101.54(o)	17	9,289	8,464
AASB101.54(c)	14	1,741	2,116
		<u>139,688</u>	<u>146,184</u>
		<u>222,865</u>	<u>210,722</u>
AASB101.60, AASB101.69			
<b>Current liabilities</b>			
AASB101.54(k)	14	20,004	17,306
AASB101.54(m)	15	6,114	3,337
AASB101.54(m)		122	107
AASB101.54(n)	16	9,011	3,492
AASB101.54(l)	17	8,352	8,143
AASB101.54(l)	18	3,494	2,837
		3,412	3,062
		<u>50,509</u>	<u>38,284</u>
AASB101.60, AASB101.69			
<b>Non-current liabilities</b>			
AASB101.54(m)	15	8,690	38,338
AASB101.54(o)	16	3,324	3,205
AASB101.54(l)	17	11,149	10,854
AASB101.54(l)	18	1,475	1,070
		<u>24,638</u>	<u>53,467</u>
		<u>75,147</u>	<u>91,751</u>
		<u>147,718</u>	<u>118,971</u>

These financial statements should be read in conjunction with the accompanying notes.

# Statement of Financial Position

## As at 31 December 2011

	Note	2011 \$'000	2010 \$'000
<b>Equity</b>			
AASB101.54(r)	19	80,000	80,000
AASB101.54(r)	20	4,465	4,475
		63,253	34,496
		<b>147,718</b>	<b>118,971</b>

These financial statements should be read in conjunction with the accompanying notes.



## Guidance Note: Statement of Changes in Equity

AASB 101.106 provides a list of items to be presented on the face of the statement of changes in equity. It was amended by the 2010 Improvements to AASBs (i.e. Australian amending pronouncements AASB 2010-04 and 2010-05), which clarified that entities may present the required reconciliations for each component of other comprehensive income either (1) in the statement of changes in equity or (2) in the notes to the financial statements (AASB 101.106(d)(ii) and AASB 101.106A).

Consequently, these example financial statements now present the reconciliations for each component of other comprehensive income in the notes to the financial statements (see note 20). This reduces duplicated disclosures and presents more clearly the overall changes in equity.

# Statement of Changes in Equity

**For year ended 31 December 2011**

	Note	Share Capital \$'000	Retained earnings \$'000	Other components of equity \$'000	Total \$'000
AASB101.106(d)		80,000	15,847	3,102	98,949
		-	21,849	-	21,849
	20	-	-	1,373	1,373
AASB101.106(a)		<b>-</b>	<b>21,849</b>	<b>1,373</b>	<b>23,222</b>
AASB101.106(d)(iii)		<b>Transactions with owners in their capacity as owners:</b>			
	19	-	-	-	-
AASB101.107	7	-	(3,200)	-	(3,200)
		<b>-</b>	<b>18,649</b>	<b>1,373</b>	<b>20,022</b>
AASB101.106(d)		<b>80,000</b>	<b>34,496</b>	<b>4,475</b>	<b>118,971</b>
		-	32,757	-	32,757
	20	-	-	(10)	(10)
AASB101.106(a)		<b>-</b>	<b>32,757</b>	<b>(10)</b>	<b>32,747</b>
AASB101.106(d)(iii)		<b>Transactions with owners in their capacity as owners:</b>			
	19	-	-	-	-
AASB101.107	7	-	(4,000)	-	(4,000)
		<b>-</b>	<b>28,757</b>	<b>(10)</b>	<b>28,747</b>
AASB101.106(d)		<b>80,000</b>	<b>63,253</b>	<b>4,465</b>	<b>147,718</b>

These financial statements should be read in conjunction with the accompanying notes.

## **Guidance Note: Statement of Cash flows**

This format illustrates the direct method of determining operating cash flows (AASB 107.18(a)). An entity may also determine the operating cash flows using the indirect method (AASB 107.18(b)).

# Statement of Cash Flows

## For year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
AASB107.10			
<b>Cash flows from operating activities</b>			
AASB107.14(a)		516,249	484,305
AASB107.14(c-d)		(444,440)	(429,638)
AASB107.31		1,084	540
AASB107.14(b)		391	48
AASB107.31		(1,976)	(2,917)
AASB107.14(f)		(9,216)	(8,461)
<b>Net cash provided by (used in) operating activities</b>	<b>23a</b>	<b>62,092</b>	<b>43,877</b>
AASB107.10			
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		1,511	250
AASB107.16(b)		(12,275)	(3,048)
AASB107.16(a)		155	-
<b>Net cash provided by (used in) investing activities</b>		<b>(10,609)</b>	<b>(2,798)</b>
AASB107.10			
<b>Cash flows from financing activities</b>			
AASB107.17(d)		(26,871)	(37,089)
AASB107.31		(4,000)	(3,200)
<b>Net cash provided by (used in) financing activities</b>		<b>(30,871)</b>	<b>(40,289)</b>
Net change in cash and cash equivalents held		20,612	790
Cash and cash equivalents at beginning of financial year		5,524	4,734
<b>Cash and cash equivalents at end of financial year</b>	<b>8</b>	<b>26,136</b>	<b>5,524</b>

These financial statements should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

AASB 101. Aus 15.4

## **1 Statement of significant accounting policies**

The Director's have prepared the financial statements on the basis that the Company is a non-reporting entity because there are no users dependent on a general purpose financial report. The financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the Corporations Act 2001.

AASB 101. Aus 15.2

These financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). These financial statements do not conform with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

AASB 101. Aus 15.2

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1031 'Materiality' and AASB 1048 'Interpretation and Application of Standards'.

AASB 101. 138(a)

Grant Thornton CLEARR Example Pty Ltd is a Company limited by shares, incorporated and domiciled in Australia.

AASB 101. 117(a)

### **Basis of preparation**

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

AASB 101.117

### **Adoption of new and revised accounting standards**

The Company has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 July 2010<sup>1</sup>.

- *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project- AASB 2010-4*
- *Amendments to Australian Accounting Standards - AASB 2010-5*

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1 The discussion of the initial application of IFRSs/AASBs needs to be disclosed only in the first financial statements after the new or revised rules have been adopted by the entity.

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described in 1.1 below.

An overview of standards, amendments and interpretations to IFRSs and AASBs issued but not yet effective is given in note 1.2.

AASB 108.28 (a)  
AASB 108.28 (c)

### **1.1 Adoption of Improvements to AASBs 2010 – AASB 2010-4 and 2010-5**

The IASB has issued Improvements to IFRSs 2010 which was issued in Australia as AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-5 Amendments to Australian Accounting Standards, and made several minor amendments to a number of AASBs. The only amendment relevant to the Group relates to AASB 101 Presentation of Financial Statements. The Group previously presented the reconciliations of each component of other comprehensive income in the statement of changes in equity. The Group now presents these reconciliations in the notes to the financial statements, as permitted by the amendment (see note 20). This reduces duplicated disclosures and presents more clearly the overall changes in equity. Prior period comparatives have been restated accordingly.

### **1.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company<sup>2</sup>**

AASB 108.30  
AASB 108.31

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company<sup>3</sup>.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

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2 These example financial statements were published in November 2011 and take into account new and amended standards and interpretations published up to and including 31 August 2011. In practice, this note should reflect those new and amended standards and interpretations published up to the date the financial statements are authorised for issue. Refer to recent Grant Thornton Technical Accounting (TA) Alerts found on our website ([www.grantthornton.com.au](http://www.grantthornton.com.au)) to obtain an update to these.

3 Entities wishing to early adopt an accounting standard before its operative date must make a formal, written election to do so in accordance with CA 334(5) and disclose that fact in the notes. An example of such wording is "The Directors resolved to early adopt [Name of accounting standard] for the year ended 31 December 2011 in accordance with section 334(5) of the Corporations Act."

### **AASB 9 Financial Instruments (effective from 1 January 2013)**

The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

### **Consolidation Standards**

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

#### **AASB 10 Consolidated Financial Statements (AASB 10)**

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

#### **AASB 11 Joint Arrangements (AASB 11)**

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

#### **AASB 12 Disclosure of Interests in Other Entities (AASB 12)**

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

#### **Consequential amendments to AASB 127 and AASB 128 Investments in Associates and Joint Ventures (AASB 128)**

AASB 127 now only deals with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

### **AASB 13 Fair Value Measurement (AASB 13)**

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

### **Amendments to AASB 101 Presentation of Financial Statements (AASB 101 Amendments)**

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

### **Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)**

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of IAS 19 is effective for financial years beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements.<sup>4</sup> The accounting policies have been consistently applied, unless otherwise stated.

### **Significant accounting policies**

#### **a. Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

#### **Current tax**

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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4 Disclosure of accounting policies shall reflect the facts and circumstances of the entity. In this set of example financial statements the accounting policies reflect the activities of the fictitious entity, Grant Thornton CLEARR Example Pty Ltd. The accounting policies should therefore in all cases be tailored to the facts and circumstances in place, which may prescribe that less extensive accounting policies are disclosed for the entity.



Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

#### **Deferred tax**

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### **b. Inventories**

AASB 102.36(a)

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### **c. Property, Plant and Equipment**

AASB 116.73(a)-(c)

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

#### **Property**

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction). Valuations are performed whenever the directors believe there has been a material movement in the value of the assets.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the related revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

#### **Plant and equipment**

Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

#### **Depreciation**

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leased assets and leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	2%
Leasehold improvements	10-33%
Plant and equipment	5-15%
Leased plant and equipment	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**d. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**e. Financial Instruments**

**Initial recognition and measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instrument classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

***Effective interest rate method***

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

**Classification and subsequent measurement**

***Financial assets at fair value through profit or loss***

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

***Held-to-maturity investments***

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly to other comprehensive income.

***Financial liabilities***

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment of financial assets**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

#### Derivative financial instruments

Derivatives are initially recognised at fair value on the date of a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

#### Cash flow hedges

Cash flow hedges are used to cover the Company's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect income or expenses. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

#### **f. Impairment of Non-Financial Assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**g. Intangible assets**

AASB 138.118(a)-(b)

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from derecognition of an intangible asset is measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

**Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the company is able to use or sell the asset; the company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

**Patents and trademarks**

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

**Software**

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

**h. Employee Benefits**

**Wages and salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

**Long service leave**

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### i. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

AASB 107.46

#### j. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

AASB 118.35(a)

#### k. Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of goods and services tax (GST).

#### l. Borrowing Costs

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



All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

**m. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**n. Rounding of Amounts**

The Company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000.

ASIC Class Order  
98/100  
AASB 101.51(e)

**o. Significant management judgement in applying accounting policies**

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 1(q).

AASB 101.122

**Revenue**

The Company commits to extensive after-sales support in its service segment. The amount of the selling price associated with the subsequent servicing agreement is deferred and recognised as revenue over the period during which the service is performed. The nature of services provided depends on the customers use of the products. Therefore management needs to exercise significant judgement in determining when to recognise income from after-sales services. In particular, this considers historical experience and requires knowledge of the customers and the markets in which the Company operates.

**Internally generated software and research costs**

Management monitors progress of internal research and development projects by using a project management system. Significant judgement is required in distinguishing research from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

To distinguish any research-type project phase from the development phase, it is the Company's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Company's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets are based on the same data.

Management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.



### Leases

In applying the classification of leases in AASB 117, management considers its leases of IT equipment as finance lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

### Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

### Held-to-maturity investments

Management has confirmed its intention and ability to hold the bonds that are classified as held-to-maturity investments until they mature. This is based on the Company's current liquidity and capital maintenance requirements and plans.

AASB 101.125

### **p. Estimation uncertainty**

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

### Impairment

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

#### **Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

#### **Inventories**

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Company's core business is subject to technology changes which may cause selling prices to change rapidly.

#### **Fair value of financial instruments**

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

#### **Provisions - Warranties**

The amount recognised for warranties for which customers are covered for the cost of repairs is estimated based on management's past experience and the future expectations of defects.

#### **Provisions – Long service leave**

As discussed in Note 1(h), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

## 2 Revenue

AASB 118.35(b)	Note	2011 \$'000	2010 \$'000
<b>Operating activities</b>			
Sale of goods		459,403	428,186
Revenue from rendering of services		11,588	12,186
<b>Sales Revenue</b>		<b>470,991</b>	<b>440,372</b>
<b>Other revenue</b>			
Interest		1,087	543
Other revenue		71	48
<b>Other Revenue</b>		<b>1,158</b>	<b>591</b>
<b>Total Revenue</b>		<b>472,149</b>	<b>440,963</b>

## 3 Other income

AASB 101.97	Net gain on disposal of Property, plant and equipment	422	192
	Insurance recoveries	320	-
	<b>Total other income</b>	<b>742</b>	<b>192</b>

## 4 Result for the year

The result for the year has been arrived at after crediting / (charging) the following items:

### a. Expenses

Cost of sales	284,451	277,984
Write-off of obsolete inventory	238	512
Cash flow hedge ineffectiveness	4	2
Rental expense on operating leases		
- minimum lease payments	36,798	34,874
Amortisation of intangible assets	375	375
Depreciation	18,497	19,988
Research and development costs	124	107
Defined contribution superannuation expense	14,942	14,568

### b. Finance costs:

Interest expense for financial liabilities:		
- interest and finance charges	1,976	2,917
- unwinding of the discount on provisions	85	62
<b>Total finance costs</b>	<b>2,061</b>	<b>2,979</b>

## 5 Income Tax Expense

AASB 112.80	Note	2011 \$'000	2010 \$'000
<b>a. The components of tax expense comprise:</b>			
Current tax		14,838	9,602
Deferred tax		(701)	(106)
Under/(over) provision in respect of prior years		(103)	-
		<b>14,034</b>	<b>9,496</b>

## 6 Auditor's Remuneration

AASB 101.Aus 138.1 (a) – (b)	Remuneration of the auditor of Company, Grant Thornton Audit Pty Ltd for:		
	- auditing the financial statements	243	230
	- taxation services	13	12
	<b>Total auditor's remuneration</b>	<b>256</b>	<b>242</b>

## 7 Dividends

AASB 101.107 AASB 101. Aus 138.3(a)	<b>Distributions paid</b> Declared fully franked ordinary dividend of 5 (2010:4) cents per share franked at the tax rate of 30% (2010: 30%)	4,000	3,200
AASB 101.Aus138.4 (a) – (c)	Balance of franking account at year end adjusted for franking credits arising from	19,020	11,518
	- payment of provision for income tax	9,011	3,492
		<b>28,031</b>	<b>15,010</b>

## 8 Cash and Cash Equivalents

AASB 107.45	Cash at bank and in hand	14,236	5,124
	Short-term bank deposits	11,900	400
		<b>26,136</b>	<b>5,524</b>

## 9 Trade and Other Receivables

AASB 7.6	<b>Current</b>		
	Trade receivables	14,344	13,181
	Allowance for impairment of receivables	(75)	(50)
		<u>14,269</u>	<u>13,131</u>
	Other receivables	60	43
	Interest receivable	7	4
	<b>Total current trade and other receivables</b>	<b>14,336</b>	<b>13,178</b>
	<b>Non-current</b>		
	Other receivable	145	145
	<b>Total non-current trade and other receivables</b>	<b>145</b>	<b>145</b>

The other receivables are due to be repaid by 31 December 2013 and the effect of discounting is considered not to be material.

## 10 Inventories

AASB 102.36(b)	<b>Current</b>		
	At cost		
	- Raw materials and stores	6,817	6,081
	- Work in progress	16,040	17,434
	- Stock in transit	204	187
		<u>23,061</u>	<u>23,702</u>
AASB 102.36(c)	At net realisable value		
	- Finished goods	16,464	19,346
		<u>39,525</u>	<u>43,048</u>

## 11 Other Assets

	<b>Current</b>		
	Accrued revenue	2,005	1,850
	Deferred expense	103	147
	Prepayments	1,007	756
	Security deposits	65	35
		<u>3,180</u>	<u>2,788</u>
	<b>Non Current</b>		
	Security deposits	1,260	1,445
		<u>1,260</u>	<u>1,445</u>

## 12 Property, Plant and Equipment

AASB 116.73(d)

<b>Land and buildings</b>		
Freehold land at fair value	30,000	30,000
Buildings at fair value	28,500	28,500
Accumulated depreciation	-	-
<b>Total land and buildings</b>	<b>58,500</b>	<b>58,500</b>
<b>Leasehold improvements</b>		
Leasehold improvements:		
At cost	33,585	27,185
Accumulated depreciation	(18,401)	(13,120)
<b>Total leasehold improvements</b>	<b>15,184</b>	<b>14,065</b>
<b>Plant and equipment</b>		
Plant and equipment:		
At cost	105,607	100,362
Accumulated depreciation	(56,152)	(44,044)
Accumulated impairment losses	-	-
<b>Total plant and equipment</b>	<b>49,455</b>	<b>56,318</b>
<b>Leased plant and equipment</b>		
Capitalised leased assets	6,184	6,184
Accumulated depreciation	(2,070)	(1,053)
<b>Total leased plant and equipment</b>	<b>4,114</b>	<b>5,131</b>
<b>Total property, plant and equipment</b>	<b>127,253</b>	<b>134,014</b>

The Company's land and buildings were revalued at 31 December 2009 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity.

AASB 116.77  
AASB 138.118(c)

### 13 Intangible Assets

	Note	2011 \$'000	2010 \$'000
<b>Development costs</b>			
Cost		3,208	3,208
Accumulated impairment losses		-	-
Accumulated amortisation		(1,605)	(1,284)
<b>Net carrying value</b>		<b>1,603</b>	<b>1,924</b>
<b>Patents &amp; Trademarks</b>			
Cost		320	320
Accumulated amortisation		(224)	(192)
<b>Net carrying value</b>		<b>96</b>	<b>128</b>
<b>Software</b>			
Cost		108	108
Accumulated amortisation		(66)	(44)
<b>Net carrying value</b>		<b>42</b>	<b>64</b>
<b>Total intangible assets</b>		<b>1,741</b>	<b>2,116</b>

### 14 Trade and Other Payables

AASB 7.6

<b>Current</b>			
Unsecured liabilities			
Trade payables		18,070	15,711
Sundry payables and accrued expenses		1,934	1,595
<b>Total current payables</b>		<b>20,004</b>	<b>17,306</b>

### 15 Borrowings

AASB 7.8(f)

<b>Current</b>			
Bank loan secured		4,500	2,000
Lease liability	21	1,614	1,337
<b>Total current borrowings</b>		<b>6,114</b>	<b>3,337</b>

AASB 7.8(f)

<b>Non-current</b>			
Bank loan secured		6,867	34,901
Lease liability	21	1,823	3,437
<b>Total non-current borrowings</b>		<b>8,690</b>	<b>38,338</b>

<b>Total borrowings</b>		<b>14,804</b>	<b>41,675</b>
-------------------------	--	---------------	---------------

AASB 7.14(b)

The collateral over cash and cash equivalents represents a floating charge. Listed investments can not be disposed without the consent of banks.

AASB 7.14(a)

The bank debt is secured by a registered first mortgage over the freehold properties of the Company and a floating charge over the trade receivables and listed shares of the Company. The covenants imposed by the bank require total bank debt not to exceed 40% of total tangible assets; for total liabilities not to exceed 70% of total tangible assets, and borrowing costs not to exceed 50% of profit from ordinary activities before income tax and finance costs. The Company was not in breach of any loan agreements permitting the lender to demand accelerated repayments at year end, nor did any breach occur during the year. The Company was not in default of any loans payable recognised at year end during the year.

## 16 Taxation

	Note	2011 \$'000	2010 \$'000
<b>Current</b>		9,011	3,492
<b>Income tax payable(receivable)</b>		<b>9,011</b>	<b>3,492</b>

AASB 112.81(g)

	1 January 2011 \$'000	Recognised in other comprehensive income \$'000	Recognised in profit and loss \$'000	31 December 2011 \$'000
<b>Deferred tax liabilities</b>	3,205	-	119	<b>3,324</b>
<b>Deferred tax assets</b>	8,464	5	820	<b>9,289</b>

	1 January 2010 \$'000	Recognised in other comprehensive income \$'000	Recognised in profit and loss \$'000	31 December 2011 \$'000
<b>Deferred tax liabilities</b>	2,143	600	462	<b>3,205</b>
<b>Deferred tax assets</b>	7,885	11	568	<b>8,464</b>

## 17 Employee Benefits

<b>Current</b>			
Annual leave		5,435	5,353
Long service leave		2,917	2,790
		<b>8,352</b>	<b>8,143</b>
<b>Non-current</b>			
Long service leave		11,149	10,854
		<b>11,149</b>	<b>10,854</b>

The current portion of these liabilities represents Grant Thornton CLEARR's obligations to which the employee has a current legal entitlement. These liabilities arise mainly from accrued annual leave entitlement at reporting date.



## 18 Provisions

AASB 101.79(b)(ii)

Current	3,494	2,837
Non-Current	1,475	1,070
	<b>4,969</b>	<b>3,907</b>

AASB 101.79(a)(i)  
(iii)

## 19 Issued Capital

80,000,000 (2010: 80,000,000) fully paid ordinary shares	80,000	80,000
	<b>80,000</b>	<b>80,000</b>

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

AASB 101.79(a)(v)

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### a Capital Management

AASB 101.134

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year. This strategy is to ensure that the Company's gearing ratio remains between 5% and 35%. The gearing ratios for the year ended 31 December 2011 and 31 December 2010 are as follows:

	Note	2011 \$'000	2010 \$'000
Total borrowings		14,804	41,675
Trade and other payables		20,004	17,306
Less cash and cash equivalents		(26,136)	(5,524)
<b>Net debt</b>		<b>8,672</b>	<b>53,457</b>
Total equity		147,718	118,971
<b>Total capital</b>		<b>156,390</b>	<b>172,428</b>
<b>Gearing ratio</b>		<b>5.5%</b>	<b>31.0%</b>

## 20 Other Components of Equity

		<b>Revaluation Reserve</b>	<b>Cash flow hedges reserve</b>	<b>Total</b>
AASB 101.106(d)(i)				
AASB 101.106A	Balance at 1 January 2010	3,150	(48)	3,102
	Other comprehensive income for the year:			
	Gains on property revaluation	2,000	-	2,000
	Cash flow hedges:			
AASB 7.23(c)	Current year gains	-	(25)	(25)
	Transfer to inventory	-	(10)	(10)
AASB 7.23(d)	Reclassification to profit or loss	-	(3)	(3)
AASB 101.91(b)	Before tax	2,000	(38)	1,962
AASB 101.90	Tax benefit (expense)	(600)	11	(589)
	Net of tax	1,400	(27)	1,373
	<b>Balance at 31 December 2010</b>	<b>4,550</b>	<b>(75)</b>	<b>4,475</b>
		<b>Revaluation Reserve</b>	<b>Cash flow hedges reserve</b>	<b>Total</b>
AASB 101.106A	Balance at 1 January 2011	4,550	(75)	4,475
	Other comprehensive income for the year:			
	Cash flow hedges:			
AASB 7.23(c)	Current year gains	-	(11)	(11)
	Transfer to inventory	-	(4)	(4)
AASB 101.91(b)	Before tax	-	(15)	(15)
AASB 101.90	Tax benefit (expense)	-	5	5
	Net of tax	-	(10)	(10)
	<b>Balance at 31 December 2011</b>	<b>4,550</b>	<b>(85)</b>	<b>4,465</b>

### a) Asset Revaluation Reserve

The asset revaluation reserve records increments and decrements in the fair value of land and buildings.

### b) Hedging Reserve

The reserve is used to recognise the effective portion of the gain or loss of the cash flow hedging instrument that is determined to be an effective hedge.

## 21 Capital and Leasing Commitments

	Note	2011 \$'000	2010 \$'000
AASB 101.Aus 138.6	<b>a Finance Lease Commitments</b>		
	Payable — minimum lease payments		
	- not later than 12 months	1,841	1,692
	- between 12 months and five years	1,902	3,743
		<u>3,743</u>	<u>5,435</u>
	Less future finance charges	(306)	(661)
	<b>Present value of minimum lease payments</b>	<b>3,437</b>	<b>4,774</b>
	<b>b Operating Lease Commitments</b>		
	Non-cancellable operating leases contracted for but not capitalised in the financial statements		
AASB 101.Aus 138.6	Payable — minimum lease payments		
	- not later than 12 months	38,103	35,162
	- between 12 months and five years	168,275	155,287
	- greater than five years	269,683	314,258
		<u>476,061</u>	<u>504,707</u>
	<b>c Capital Expenditure Commitments</b>		
AASB 101.Aus 138.6	Capital expenditure commitments contracted for:		
	Plant and equipment purchases	1,165	1,145
	Capital expenditure projects	160	-
		<u>1,325</u>	<u>1,145</u>
AASB 101 Aus 138.6	Payable:		
	- not later than 12 months	1,040	955
	- between 12 months and five years	285	190
		<u>1,325</u>	<u>1,145</u>

## 22 Contingent assets and Contingent Liabilities

AASB 101.114  
(d)(i)  
AASB 137.89

The Company has no contingent assets.

AASB 137.86

Various warranty and legal claims were brought against the Company during the year. Unless recognised as a provision, management considers these claims to be unjustified and the probability that they will require settlement at the Company's expense to be remote. This evaluation is consistent with external independent legal advice.

AASB 137.92

Further information on these contingencies is omitted so as not to seriously prejudice the Company's position in the related disputes.

## 23 Cash Flow Information

AASB 107.Aus  
20.1

	Note	2011 \$'000	2010 \$'000
<b>a Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>			
Profit after income tax		32,757	21,849
Non-cash flows in profit:			
- Depreciation & amortisation		18,872	20,363
- Net gain on disposal of property, plant and equipment		(422)	(192)
- Unwinding of discounts on provisions		85	62
Changes in assets and liabilities			
- Increase in trade and other receivables		(1,158)	(104)
- Increase in other assets		(362)	(116)
- Decrease in inventories		3,523	782
- (Increase)/decrease in trade and other payables		2,698	(457)
- Increase/(decrease) in income taxes payable		5,519	785
- (Increase)/decrease in deferred taxes payable		(701)	250
- Increase/(decrease) in employee benefits		504	283
- Increase/(decrease) in provisions		427	249
- Increase/(decrease) in other operating liabilities		350	113
		<b>62,092</b>	<b>43,877</b>

AASB 107.43

### b Non-cash Financing and Investing Activities

Property, plant and equipment:

During the financial year, the Company acquired plant and equipment with an aggregate fair value of \$nil (2010: \$2,334,000) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

## **24 Events After the Reporting Date**

AASB 110.21

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## **25 Company Details**

AASB 101.  
138(a)

The registered office of the Company is:

Grant Thornton CLEARR Example Pty Ltd  
980 Collins Street  
Melbourne Vic 3000

The principal place of business is:

Grant Thornton CLEARR Example Pty Ltd  
62 Endeavour Road  
Braeside Vic 3195

## Directors' Declaration

CA 295(4) The directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 12 to 43, are in accordance with the Corporations Act 2001:

CA 295(4)(d)(i) (a) comply with Accounting Standards as described in Note 1 to the financial statements, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

CA 295(4)(d)(ii) c (b) give a true and fair view of the financial position as at 31 December 2011 and of the performance for the year ended on that date of the Company in accordance with the accounting policies described in Note 1 to the financial statements; and

CA 295(4)(c) 2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

CA 295(5)(a) This declaration is made in accordance with a resolution of the Board of Directors.

CA 295(5)(c) Director \_\_\_\_\_

[Name]

CA 295(5)(b) Dated this \_\_\_\_\_ day of **Month 2012**

# Independent Auditor's Report

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## **Independent Auditor's Report**

### **To the Members of Grant Thornton CLEARR Example Pty Ltd**

We have audited the accompanying financial report, being a special purpose financial report, of Grant Thornton CLEARR Example Pty Ltd (the "Company"), which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the company .

#### **Directors responsibility for the financial report**

The Directors of the Company are responsible for the preparation and fair presentation of the financial report, and have determined that the accounting policies used and described in Note 1 to the financial report, which form part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001 and the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### **Auditor's opinion**

In our opinion:

- d the financial report of Grant Thornton CLEARR Example Pty Ltd is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
  - ii complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations Regulations 2001.

### **Basis of accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A Archer  
Director - Audit & Assurance

Sydney, 31 March 2012



# Appendix A: Organising the Income Statement by Function of Expenses

## AASB 101.99

AASB 101.99 allows an 'income statement' format analysing expenses using a classification based on either the nature of expenses (NOE) or based on the function of expenses (FOE) within the entity. This depends on managements assessment of which format provides information that is reliable and more relevant.

The NOE format is illustrated in the main body of the example financial statements. The FOE format is illustrated in this appendix. The example shows the 'income statement' separately, ie other comprehensive income shall be shown in addition to the income statement in a statement of comprehensive income (see the example in appendix B).

If the entity shows the statement of comprehensive income in one statement (see the main body of the example financial statements), the FOE format included in this appendix may replace the NOE format that is part of the statement of comprehensive income.

The FOE or NOE formats do not affect the presentation requirements for other comprehensive income. Only the 'income statement' is affected.

## AASB 101.104

Presenting the income statement in the FOE format requires additional considerations:

- additional disclosures on the nature of certain expenses are required, including employee benefit expenses and depreciation, amortisation and impairment of non-financial assets
- the disclosures of the specific line items in the income statement where certain transactions or amounts are recognised should reflect the actual line items presented in the FOE income statement.

# Income Statement

For the year ended 31 December 2011

		Note	2011 \$'000	2010 \$'000
AASB 101.82(a)	Revenue	2	472,149	440,963
	Cost of sales		(284,451)	(277,984)
	Gross profit		187,698	162,979
	Other revenues	3	742	192
	Distribution expenses		(37,772)	(35,277)
	Marketing expenses		(28,329)	(26,458)
	Occupancy expenses		(36,798)	(34,874)
	Administration expenses		(36,689)	(32,238)
AASB 101.82(b)	Finance costs	4	(2,061)	(2,979)
	Profit before income tax	4	46,791	31,345
AASB 101.82(d)	Income tax expense	5	(14,034)	(9,496)
AASB 101.82(f)	<b>Profit for the year</b>		<b>32,757</b>	<b>21,849</b>

## Appendix B: Statement of Comprehensive Income Presented in Two Separate Statements

The main body in these example financial statements presents the statement of comprehensive income of **one** statement (see guidance note to the statement of comprehensive income).

In this appendix, the alternative of presenting the 'statement of comprehensive income' as **two** statements is presented (using the nature of expense method).

Disclosure requirements, however, remain unchanged (see guidance note to the statement of comprehensive income).

In general, the notes to the financial statements will need to be tailored so that they refer to the statement of comprehensive income and not the income statement, where appropriate. However, it should be noted that the term profit or loss continues to apply.

The illustrative **two** statements of comprehensive income are shown on the next page.

# Income Statement

For the year ended 31 December 2011

AASB 101.51	Notes	2011	2010
AASB 101.51(c)		\$'000	\$'000
AASB 101.51(d-e)			
AASB 101.82(a) <b>Revenue</b>	2	472,149	440,963
Other income	3	742	192
Changes in inventories		(3,523)	(782)
Costs of material		(137,078)	(131,118)
Employee benefits expense	4	(227,169)	(221,724)
Depreciation, amortisation and impairment of non-financial assets	4	(18,872)	(20,363)
Other expenses		(37,397)	(32,844)
AASB 101.82(b) Finance costs	4	(2061)	(2,979)
		<b>46,791</b>	<b>31,345</b>
AASB 101.82(d) Tax expense	5	(14,034)	(9,496)
AASB 101.82(f) <b>Profit for the year</b>		<b>32,757</b>	<b>21,849</b>

# Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 \$'000	2010 \$'000
AASB 101.82(f)	<b>Profit for the year</b>	32,757	21,849
AASB 101.82(g)	<b>Other comprehensive income:</b>		
	Revaluation of land, net of tax	-	1400
	Cash flow hedging		
	- Transferred to inventory, net of tax	(3)	(7)
AASB 101.92	- Reclassification to profit or loss, net of tax	-	(2)
	- net change in the fair value of cash flow hedges taken to equity, net of tax	(7)	(18)
	<b>Other comprehensive income for the tax year, net of tax</b>	<u>(10)</u>	<u>1,373</u>
AASB 101.82(i)	<b>Total comprehensive income for the year</b>	<u><u>32,747</u></u>	<u><u>23,222</u></u>

## Appendix C: Statement of Cash Flows Presented Using the Indirect Method

As permitted by AASB 107 Statement of Cash flows paragraph 18 an entity may report cash flows from operating activities using either:

- a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
- b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Entities are encouraged to report cash flows from operating activities using the direct method. The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method.

The main body in these example consolidated financial statements presents the statement of cash flows using the direct method.

In this appendix, the alternative of using the indirect method is presented.

# Statement of Cash Flows

For the year ended 31 December 2011

AASB 101.51(c) AASB 101.51(d-e) AASB 107.10	Notes	2011 \$'000	2010 \$'000
<b>Operating Activities</b>			
		46,791	31,345
		18,872	20,363
		(422)	(192)
		85	62
		7,958	3,677
		<u>73,284</u>	<u>55,255</u>
AASB107.31		(1,976)	(2,917)
AASB 107.35		(9,216)	(8,461)
		<u>62,092</u>	<u>43,877</u>
<b>Investing Activities</b>			
AASB107.16(a)		(12,275)	(3,048)
AASB107.16(b)		1,511	250
		155	-
		<u>(10,609)</u>	<u>(2,798)</u>
<b>Financing Activities</b>			
AASB 107.17(d)		(26,871)	(37,089)
AASB 107.31	7	(4,000)	(3,200)
		<u>(30,871)</u>	<u>(40,289)</u>
AASB 107.45		20,612	790
		5,524	4,734
AASB 107.45	8	<u>26,136</u>	<u>5,524</u>



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