Example Consolidated RDR Financial Statements

Grant Thornton CLEARR RDR Example Pty Ltd

31 December 2012

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Introduction

RDR Example Financial Statements 2012

Welcome to the December 2012 edition of RDR *Example Financial Statements*.

The preparation of financial statements in accordance with Australian Accounting Standards [International Financial Reporting Standards as adopted in Australia] has involved relatively little change over the last two years. However, preparers need to be wary of the next oncoming wave of changes currently unfolding in the next few years with the completion of the various convergence projects between the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB). These include the new standards on consolidation, joint arrangements and fair value measurement which apply mandatorily for annual reporting periods beginning on or after 1 January 2013.

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. There are also various publications (Technical Accounting Alerts [TA Alerts] and Emerging Issues Accounting Alerts [EI Alerts]) on our website www.grantthornton.com.au which provide an overview of these developments.

The December 2012 edition of RDR *Example Financial Statements* is based on the recent Grant Thornton International publication, however has been tailored to the Australian Reduced Disclosure Requirements (RDR) and regulatory environment. This publication is intended to illustrate the 'look and feel' of RDR financial statements and to provide a realistic example of their presentation.

This publication is based on the activities and results of Grant Thornton CLEARR RDR Example Pty Ltd and subsidiaries (the Group) - a fictional IT entity that has been preparing Australian general purpose financial statements for several years. The Group have decided to early adopt the relevant pronouncement arising from the RDR to annual reporting period beginning 1 January 2012. The form and content of Australian general purpose financial statements depend of course on the activities and transactions of each reporting entity. Our objective in preparing the *Example Financial Statements* 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.

These *Example Financial Statements* have been reviewed and updated to reflect changes in Australian Accounting Standards that are effective for the year ending 31 December 2012. However, no account has been taken of any new developments published after **30 October 2012**. Grant Thornton website contains any updates that are relevant for the 31 December 2012 financial statements.

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 RDR financial statements.

Andrew Archer
National Head of Audit & Assurance
Grant Thornton Australia Ltd
November 2012

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Directors' Report

The Directors of Grant Thornton CLEARR RDR Example Pty Ltd ('Grant Thornton CLEARR') present their Report together with the financial statements of the consolidated entity, being Grant Thornton CLEARR ('the Company') and its controlled entities ('the Group') for the year ended 31 December 2012.

CA 300(1)(c)

Director details

The following persons were directors of Grant Thornton CLEARR during or since the end of the financial year.

Mr Blake Smith
Ms Beth King
Mr Simon Murphy
Mrs Alison French
Mr William Middleton – appointed 28 May 2012

CA 299(1)(c)

Principal activities

During the year, the principal activities of entities within the Group were:

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

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

CA 299(1)(a)

Review of operations and financial results

The operating result of the Group has increased to $15.4m (2011: $13.5m); this is mainly due to the cost control measures implemented during the year which have allowed increased revenue with a lower proportionate cost base.

Additional capital raising activities were undertaken during the year which raised $16.7m and allowed the Group to fund the Goodtech acquisition via a cash settlement as well as positioning the Group in a strong cash position for 2013 to allow for future acquisitions, if appropriate opportunities arise.

The acquisitions and disposals which have occurred during the year are in line with the Group's strategy to increase online sales capacity.

Goodwill of $2.4m arising on acquisition of Goodtech (as described below) is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Goodtech's workforce and expected cost synergies.

CA 299(1)(b)

Significant changes in the state of affairs

During the year, the following changes occurred within the Group:

- Acquisition of Goodtech GmbH
  - On 31 March 2012, the Group acquired 100% of the equity instruments of Goodtech GmbH (Goodtech), a Hamburg based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the retail market for computer and telecommunications hardware in Australia. Goodtech is a significant business in Australia in the Group's targeted market. The cost of the acquisition was $16.06m which was settled in cash.
- Disposal of Highstreet
  - On 30 September 2012, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Limited. The subsidiary was classified as held for sale in the 2011 financial statements. There was a loss on disposal of $29,000.
- Issue of share capital
  - On 30 October 2012, the Group issued 1,500,000 shares as part of its capital raising program which resulted in proceeds of $16.7m, each share has the same terms and conditions as the existing ordinary shares.

CA 300(1)(a)

Dividends

In respect of the current year, a fully franked interim dividend of $3,000,000 (25c per share) was paid on 31 September 2012 (2011: $nil).

CA 300(1)(b)

In addition to the interim dividend and since the end of the financial year, directors have declared a fully franked final dividend of $6,885,000 (50c per share) to be paid on 15 April 2013 (2011: $nil).

CA 299(1)(d)

Events arising since the end of the reporting period

Apart from the final dividend declared, there are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- The entity's operations in future financial years;
- The results of those operations in future financial years; or
- The entity's state of affairs in future financial years.

CA 299(1)(e)

Likely developments

Information on likely developments in the Group's operations and the expected results have not been included in this report because the directors believe it would likely result in unreasonable prejudice to the Group.

CA 300(1)(d)
CA 300(1)(e)

Unissued shares under option

Unissued ordinary shares of Grant Thornton CLEARR under option at the date of this report are:

Date options granted	Expiry date	Exercise price of shares ($)	Number under option
5 January 2008	4 January 2015	5.74	90,749
1 January 2009	31 December 2013	6.24	29,175
1 February 2012	31 December 2016	7.61	100,000
			219,924

All options expire on the earlier of their expiry date or termination of the employee's employment. These options were issued under either the Star or Stay programme (described in Note 20.2 to the financial statements) and have been allotted to individuals on condition that they serve specified time periods as an employee of the Group before becoming entitled to exercise the options. These options do not entitle the holder to participate in any share issue of the Company.

CA 300(1)(f)

Shares issued during or since the end of the year as a result of exercise

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Date options granted	Issue price of shares ($)	Number of shares issued
1 July 2008	6.24	270,000

CA 299 (1f)

Environmental legislation

Grant Thornton CLEARR operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

CA 300 (1g)

Indemnities given and insurance premiums paid to auditors and officers

During the year, Grant Thornton CLEARR paid a premium to insure officers of the Group. The officers of the Group 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 Group, 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 Group.

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 Group 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 Group against a liability incurred as such by an officer or auditor.

CA 307C

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is included on page 10 of this financial report and forms part of this Directors report.

CA 300(14) / (15)

Proceedings of behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

ASIC CO 98/100

Rounding of amounts

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 (2a)

Signed in accordance with a resolution of the directors.

CA 298 (2c)

Blake Smith
Director

CA 298 (2b)

28 February 2013

Auditor's Independence Declaration

Grant Thornton Audit Pty Ltd
ACN 130 913 594

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To the Directors of Grant Thornton CLEARR RDR 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 RDR Example Pty Ltd for the year ended 31 December 2012, 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 B Partner
Partner – Audit & Assurance

Sydney, 28 February 2013

Guidance Note: Consolidated Statement of Financial Position

The statement of financial position complies with AASB 101 *Presentation of Financial Statements*.

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).

These *Example Consolidated RDR Financial Statements* use the terminology in AASB 101, however an entity may use other titles (e.g. balance sheet) for the primary financial statements (AASB 101.10).

Consolidated Statement of Financial Position

as at 31 December 2012

		Notes	2012	2011
AASB 101.51(c)	**Assets**			
AASB 101.51(d-e)			**$'000**	**$'000**
AASB 101.60, AASB 101.66	**Current**			
AASB 101.54(g)	Inventories	15	18,548	17,376
AASB 101.54(h)	Trade and other receivables	16	33,629	25,628
AASB 101.55	Derivative financial instruments	13	582	212
AASB 101.54(d)	Other short-term financial assets	13	655	649
AASB 101.54(n)	Current tax assets		-	308
AASB 101.54(i)	Cash and cash equivalents	17	34,789	11,237
AASB 101.60	Current assets		88,203	55,410
AASB 101.54(j)	Assets and disposal group classified as held for sale	18	103	3,908
AASB 101.60, AASB 101.66	**Non-current**			
AASB 101.57	Goodwill	8	5,041	3,537
AASB 101.54(c)	Other intangible assets	9	17,424	13,841
AASB 101.54(a)	Property, plant and equipment	10	22,439	20,647
AASB 101.54(e), AASB 128.38	Investments accounted for using the equity method		430	23
AASB 101.54(b)	Investment property	12	12,662	12,277
AASB 101.54(d)	Other long-term financial assets	13	3,765	3,880
AASB 101.54(o), AASB 101.56	Deferred tax assets	14	-	225
AASB 101.60	Non-current assets		61,761	54,430
AASB 101.55	**Total assets**		**150,067**	**113,748**

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

as at 31 December 2012

AASB 101.57				
AASB 101.51(c)	**Liabilities**	**Notes**	**2012**	**2011**
AASB 101.51(d-e)			**$'000**	**$'000**
AASB 101.60, AASB 101.69	**Current**			
AASB 101.54(l)	Provisions	21	1,215	3,345
AASB 101.55	Employee benefits	20	1,467	1,496
AASB 101.54(k)	Trade and other payables	22	9,059	7,096
AASB 101.54(m)	Borrowings	13	4,815	3,379
AASB 101.54(n)	Current tax liabilities		3,102	-
AASB 101.54(m)	Derivative financial instruments	13	-	160
AASB 101.55	Other liabilities	23	2,758	3,475
AASB 101.55	Current liabilities		22,416	18,951
AASB 101.54(p)	Liabilities included in disposal group held for sale	18	-	449
AASB 101.60, AASB 101.69	**Non-current**			
AASB 101.55	Employee benefits	20	11,224	10,812
AASB 101.54(m)	Borrowings	13	21,000	21,265
AASB 101.54(k)	Trade and other payables	22	4,096	4,608
AASB 101.55	Other liabilities	23	2,020	1,500
AASB 101.54(o), AASB 101.56	Deferred tax liabilities	14	5,397	3,775
AASB 101.55	Non-current liabilities		43,737	41,960
AASB 101.55	**Total liabilities**		**66,153**	**61,360**

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

as at 31 December 2012

		Notes	2012 $'000	2011 $'000
AASB 101.55	**Net assets**		**83,914**	**52,388**
	Equity			
	Equity attributable to owners of the parent:			
AASB 101.54(r)	Share capital		33,415	15,050
AASB 101.54(r)	Share option reserve		764	466
AASB 101.55	Other reserves	19	621	205
AASB 101.54(r)	Retained earnings		48,401	36,075
			83,201	51,796
AASB 101.54(q)	Non-controlling interest		713	592
AASB 101.55	**Total equity**		**83,914**	**52,388**

This statement should be read in conjunction with the notes to the financial statements.

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Guidance Note: Consolidated Statement of Comprehensive Income

AASB 101 *Presentation of Financial Statements* 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 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 10.2)

Consolidated Statement of Comprehensive Income

for year ended 31 December 2012

		Notes	2012	2011
AASB 101.51(c)				
AASB 101.51(d-e)			**$'000**	**$'000**
AASB 101.82(a)	Revenue	7	206,193	191,593
AASB 101.85	Other income		427	641
AASB 101.85	Changes in inventories		(7,823)	(5,573)
AASB 101.85	Costs of material		(42,634)	(40,666)
AASB 101.85	Employee benefits expense	20	(114,190)	(108,673)
AASB 101.85	Change in fair value of investment property	12	310	175
AASB 101.85	Depreciation, amortisation and impairment of non-financial assets		(7,942)	(6,061)
AASB 101.85	Other expenses		(12,722)	(12,285)
			21,619	**19,151**
AASB 101.82(c)	Share of profit from equity accounted investments		60	12
AASB 101.82(b)	Finance costs	24	(3,473)	(3,594)
AASB 101.85	Finance income	24	994	793
AASB 101.85	Other financial items	25	3,388	3,599
	Profit before tax		**22,588**	**19,961**
AASB 101.82(d)	Tax expense	26	(7,132)	(6,184)
	Profit for the year from continuing operations		**15,456**	**13,777**
AASB 101.82(e)	Loss for the year from discontinued operations		(9)	(325)
AASB.101.82(f)	**Profit for the year**		**15,447**	**13,452**
AASB.101.82(g)	**Other comprehensive income:**			
AASB.116.77(f)	Revaluation of land	10	303	-
	Cash flow hedging	13		
AASB 7.23(c-d)	- current year gains (losses)		367	(47)
AASB 101.92	- reclassification to profit or loss		260	(425)
	Available-for-sale financial assets	13		

This statement should be read in conjunction with the notes to the financial statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

		Notes	2012	2011
			$'000	**$'000**
AASB 7.20(a)(ii)	- current year gains (losses		113	35
AASB 101.92	- reclassification to profit or loss		(50)	-
AASB 121.52(b)	Exchange differences on translating foreign operations		(664)	(341)
AASB 101.82(h)	Share of other comprehensive income of equity accounted investments		5	-
AASB 101.92	- reclassification to profit or loss		(3)	-
AASB 101.90	Income tax relating to components of other comprehensive income	19	85	95
	Other comprehensive income for the period, net of tax		**416**	**(683)**
AASB 101.82(i)	**Total comprehensive income for the period**		**15,863**	**12,769**
	Profit for the year attributable to:			
AASB 101.83(a)(i)	Non-controlling interest		121	116
AASB 101.83(a)(ii)	Owners of the parent		15,236	13,336
			15,447	**13,452**
	Total comprehensive income attributable to:			
AASB 101.83(b)(i)	Non-controlling interest		121	116
AASB 101.83(b)(ii)	Owners of the plant		15,742	12,653
			15,863	**12,769**

This statement should be read in conjunction with the notes to the financial statements

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Guidance Note: Consolidated Statement of Changes in Equity

Entities may present the required reconciliations for each component of other comprehensive income either (1) in the statement if changes in equity or (2) in the notes to the financial statements (AASB 101.106(d)(ii)and AASB 101.106A). These example financial statements present the reconciliations for each component of other comprehensive income in the notes to the financial statements (see Note 19.2). This reduces duplicated disclosures and presents a clearer picture of the overall changes in equity.

AASB 2 *Share-based Payment* requires an entity to recognise equity-settled share-based payment transactions as changes in equity but does not specify how this is presented, e.g. in a separate reserve within equity or within retained earnings. In our view, either approach would be allowed under AASBs. Share option reserve has been credited with an increase in equity in this example (see also Note 3.24).

Statement of Changes in Equity

for the year ended 31 December 2012

		Notes	Share Capital $'000	Share Option reserve $'000	Other reserves $'000	Retained earnings $'000	Total attributable to owners of parent $'000	Non-controlling interest $'000	Total equity $'000
AASB 101.51 (d-e)									
AASB 101.106(d)	**Balance at 1 January 2011**		**15,050**	**-**	**888**	**22,739**	**38,677**	**476**	**39,153**
	Employee share-based payment options	20	-	466	-		466	-	466
AASB 101.106(d)(iii)	Transactions with owners		-	466	-	-	466	-	466
AASB 101.106(d)(i)	Profit for the year		-	-	-	13,336	13,336	116	13,452
AASB 101.106(d)(ii), AASB 101.106A	Other comprehensive income	19	-	-	(683)	-	(683)	-	(683)
AASB 101.106(d)	**Balance at 31 December 2011**		**15,050**	**466**	**205**	**36,075**	**51,796**	**592**	**52,388**
AASB 101.106(d)	Balance at 1 January 2012		15,050	466	205	36,075	51,796	592	52,388
	Dividends		-	-	-	(3,000)	(3,000)	-	(3,000)
	Issue of share capital under share-based payment	19	1,685	-	-	-	1,685	-	1,685
	Employee share-based payment options	20	-	298	-	-	298	-	298
	Issue of share capital	19	16,680	-	-	-	16,680	-	16,680
AASB 101.106(d)(iii)	Transactions with owners		18,365	298	-	(3,000)	15,663	-	15,663
AASB 101.106(d)(i)	Profit for the year		-	-	-	15,326	15,326	121	15,447
AASB 101.106(d)(ii)	Other comprehensive income	19	-	-	416	-	416	-	416
AASB 101.106(d)	**Balance at 31 December 2012**		**33,415**	**764**	**621**	**48,401**	**83,201**	**713**	**83,914**

This statement should be read in conjunction with the notes to the financial statements

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Comments: Consolidated Statement of Cash Flows

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

		Notes	2012	2011
AASB 101.51(c) AASB 101.51(d-e)			**$'000**	**$'000**
AASB 107.10	**Operating services**			
	Receipts from customers		205,909	191,751
	Payments to suppliers and employees		(177,932)	(165,999)
	Income taxes paid		(1,948)	(5,588)
	Net cash from continuing operations		26,029	20,164
	Net cash (used in)/ from discontinued operations		(22)	811
	Net cash from operating activities		**26,007**	**20,975**
AASB 107.10	**Investing activities**			
	Purchase of property, plant and equipment		(76)	(3,281)
	Proceeds from disposals of property, plant and equipment		86	-
	Purchase of other intangible assets		(3,666)	(3,313)
	Proceeds from disposals of other intangible assets		924	-
AASB 107.39	Acquisition of subsidiaries, net of cash	4	(15,714)	(12,076)
AASB 107.39	Proceeds from sale of subsidiaries, net of cash		3,117	-
	Proceeds from disposals and redemptions of non-derivative financial assets		228	132
AASB 107.31	Interest received	24	752	447
AASB 107.31	Dividends received	24	62	21
AASB 107.35	Taxes paid		(244)	(140)
	Net cash used in investing activities		**(14,531)**	**(18,210)**

This statement should be read in conjunction with the notes to the financial statements

Statement of Cash Flows

for the year ended 31 December 2012

		Notes	2012 $'000	2011 $'000
AASB 107.10	**Financing activities**			
	Proceeds from bank loans		1,441	-
	Repayment of bank loans		(3,778)	(649)
	Proceeds from issue of share capital		18,365	-
AASB 107.31	Interest paid	24	(1,035)	(907)
AASB 107.31	Dividends paid		(3,000)	-
	Net cash from / (used in) financing activities		**11,993**	**(1,556)**
AASB 107.45	Net change in cash and cash equivalents		23,469	1,209
	Cash and cash equivalents, beginning of year		11,259	10,007
AASB 107.28	Exchange differences on cash and cash equivalents		61	43
			34,789	11,259
	- Included in disposal group	18	-	(22)
AASB 107.45	**Cash and cash equivalents, end of year**	**17**	**34,789**	**11,237**

This statement should be read in conjunction with the notes to the financial statements

Notes to the consolidated financial statements

1 General information and statement of compliance

AASB 127.12
AASB 127.43(a)

The financial report includes the consolidated financial statements and notes of Grant Thornton CLEARR RDR Example Pty Ltd and controlled entities ('consolidated group' or 'Group').

AASB 101.112(a)

The Group has elected to early adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*). The Group has also early adopted the following RDR amendments on the basis that such amendments relate to Australian Accounting Standards applicable mandatorily for the financial years ending 31 December 2012:

- AASB 2011–2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements*; and
- AASB 2011–6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements*.

AASB 1054.RDR7.1
AASB 1054.8
AASB 1054.9

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. Grant Thornton CLEARR Example Ltd is a for-profit entity for the purpose of preparing the financial statements.

AASB 101.51 (c)
AASB 110.17

The consolidated financial statements for the year ended 31 December 2012 were approved and authorised for issue by the board of directors on 28 February 2013.

2 Changes in accounting policies

2.1 AASB 2010-8 *Amendments to Australian Accounting Standard – Deferred Tax: Recovery of Underlying Assets* (Effective for annual reporting periods beginning on or after 1 January 2012)

AASB 108.28 (a)
AASB 108.28 (c)

AASB 2010-8 provides clarification on the determination of deferred tax assets and deferred tax liabilities when investment property is measured using the fair value model in AASB 140 *Investment Property*. It introduces a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model where the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

AASB 2010-8 also includes the requirement that the measurement of deferred tax assets and deferred tax liabilities on non-depreciable assets measured using the revaluation model in AASB 116 *Property, Plant and Equipment* should always be based on recovery through sale.

These amendments have had no impact on the Group.

3 Summary of accounting policies

3.1 Overall considerations

AASB 101.114 (b)
AASB 101.117 (b)

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below[1].

AASB 101.117 (a)

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

3.2 Basis of consolidation

AASB 101.117 (a)
AASB 101.117 (b)

AASB 127.41 (a)
AASB 127.41 (c)

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2012. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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1 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 RDR Example Pty Ltd and subsidiaries. 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.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

3.3 Business combination

AASB 101.117 (a)
AASB 101.117 (b)

The Group applies the acquisition method in accounting for business combinations.

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

3.4 Investments in associates and joint ventures

AASB 131.57
AASB 101.117 (a)
AASB 101.117 (b)

Entities whose economic activities are controlled jointly by the Group and other ventures independent of the Group (joint ventures) are accounted for using the proportionate consolidation method, whereby the Group's share of the assets, liabilities, income and expenses is included line by line in the consolidated financial statements.

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

The carrying amount of the investments in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

3.5 Foreign currency translation

AASB 121.53

Functional and presentation currency

AASB 121.53

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign currency transactions and balances

AASB 101.117 (a)
AASB 101.117 (b)

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into AUD at the closing rate. Income and expenses have been translated into AUD at the average rate[2] over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

3.6 Revenue

AASB 118.35 (a)

Revenue arises from the sale of goods and the rendering of services plus the Group’s share of revenue of its joint ventures. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The Group often enters into sales transactions involving a range of the Group's products and services, for example for the delivery of hardware, software and related after-sales service. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction. The consideration received from these multiple-component transactions are allocated to the separately identifiable component in proportion to its relative fair value.

AASB 101.117 (b)

Sale of goods (hardware or software)

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery. Where significant tailoring, modification or integration is required, revenue is recognised in the same way as construction contracts for telecommunication systems described below.

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2 Note that the use **of average rates** is appropriate only if rates do not fluctuate significantly (AASB 121.40).

When goods are sold together with customer loyalty incentives, the consideration receivable is allocated between the sale of goods and sale of incentives based on their fair values. Revenue from sales of incentives is recognised when incentives are redeemed by customers in exchange for products supplied by the Group.

AASB 101.117 (b)

Rendering of services

The Group generates revenues from after-sales service and maintenance, consulting, and construction contracts for telecommunication solutions. Consideration received for those services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date in the same way as construction contracts for telecommunication systems described below.

The Group also earns rental income from operating leases of its investment properties(see Note 12). Rental income is recognised on a straight-line basis over the term of the lease.

AASB 101.117 (b)

Construction contracts for telecommunication solutions

Construction contracts for telecommunication systems specify a fixed price for the development and installation of IT and telecommunication systems.

AASB 111.39 (b)
AASB 118.35 (a)

When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the Group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

AASB 101.117 (a)
AASB 111.39 (c)
AASB 101.122

A construction contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date.

The maximum amount of revenue to be recognised for each milestone is determined by estimating relative contract fair values of each project phase, i.e. by comparing the Group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total estimated costs estimated for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The gross amount due to customers for contract work is presented within other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

AASB 118.30

Interest and dividend income

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

3.7 Operating expenses

AASB 101.117 (b)

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

3.8 Borrowing costs

AASB 101.117 (b)

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs' (see Note 24).

3.9 Profit or loss from discontinued operations

AASB 101.117 (b)
AASB 5.32

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

AASB 5.33

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also Note 3.21), is further analysed in Note 18.

AASB 5.34

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented.

3.10 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 3.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 3.14 for a description of impairment testing procedures.

3.11 Other intangible assets

AASB 138.118 (a)
AASB 138.118 (b)

Recognition of other intangible assets

Acquired intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. Brand names and customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values(see Note 3.3).

Internally developed software

AASB 138.57

Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee (other than directors) costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

Subsequent measurement

AASB 138.118 (a)
AASB 138.118 (b)

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 3.14. The following useful lives are applied:

- Software: 3-5 years
- Brand names: 15-20 years
- Customer lists: 4-6 years.

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 3.14.

AASB 138.118 (d)

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

AASB 101.117 (b)

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

3.12 Property, plant and equipment

Land

AASB 116.73 (a)
AASB 116.73 (b)
AASB 116.73 (c)
AASB 101.117 (a)

Land held for use in production or administration is stated at re-valued amounts. Re-valued amounts are fair market values based on appraisals prepared by external professional valuers once every two years or more frequently if market factors indicate a material change in fair value.

Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss (see Note 3.14) has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

AASB 116.73 (b)

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Buildings, IT equipment and other equipment

AASB 116.73 (a)
AASB 101.117 (a)

Buildings, IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Buildings and IT equipment also include leasehold property held under a finance lease (see Note 3.13). Buildings, IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

AASB 116.73 (b)
AASB 116.73 (c)

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, IT equipment and other equipment. The following useful lives are applied:

- Buildings: 25-50 years
- IT equipment: 2-5 years
- Other equipment: 3-12 years.

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

3.13 Leased assets

Finance leases

AASB 101.117 (a)
AASB 101.117 (b)

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

See Note 3.12 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.14 Impairment testing of goodwill, other intangible assets and property, plant and equipment

AASB 101.117 (b)

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

AASB 101.122
AASB 101.117 (a)

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, 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. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.15 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

AASB 140.75 (a)
AASB 140.75 (d)
AASB 140.75 (e)

Investment properties are revalued annually and are included in the statement of financial position at their open market value. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

AASB 101.117 (b)

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within change in fair value of investment property.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively, and are recognised as described in Notes 3.6 and 3.7.

3.16 Financial instruments

AASB 7.21
AASB 101.117 (b)

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

AASB 101.117 (b)

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

AASB 101.117 (a)

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

AASB 7.B5 (f)

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

AASB 101.117 (a)
AASB 101.117 (b)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

AASB 7.B5 (f)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics.

The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

AASB 101.117 (a)
AASB 101.117 (b)
Also:
AASB 7.B5 (a)

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

AASB 7.B5 (e)

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

AASB 101.117 (a)
AASB 101.117 (b)

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity. The Group currently holds listed bonds designated into this category.

AASB 7.B5 (f)

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AASB 101.117 (a)
AASB 101.117 (b)
AASB 7.B5 (b)

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed securities and debentures, and the equity investment in XY Ltd.

The equity investment in XY Ltd is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

AASB 101.117 (a)
AASB 101.117 (b)

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income (see Note 3.6).

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

AASB 101.117 (b)

Classification and subsequent measurement of financial liabilities

The Group’s financial liabilities include borrowings, trade and other payables and derivative financial instruments.

AASB 101.117 (a)

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

AASB 101.117 (a)
AASB 7.B5 (a)

The Group has designated some financial liabilities at FVTPL to reduce significant measurement inconsistencies between investment properties in the United States and related US-dollar bank loans with fixed interest rates. These investment properties are measured using the fair value model (see Note 3.15), where changes in fair value of these assets are recognised in profit or loss. The fair value of loans used to finance these assets correlates significantly with the valuation of the investment properties held by the Group, because both measures are highly reactive to the market interest rate for 30-year government bonds. The loans are managed and evaluated on a fair value basis through a quarterly management review in comparison with the property valuations. Therefore, the Group designates such fixed interest rate loans as at FVTPL if they are secured by specific investment property assets that are held by the Group. This accounting policy reduces significantly what would otherwise be an accounting mismatch.

AASB 101.117 (b)

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

AASB 101.117 (b)

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

AASB 7.22 (a)
AASB 7.22 (c)

For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding sales and purchase orders denominated in foreign currency.

AASB 101.117 (a)

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

AASB 101.117 (b)

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss.

3.17 Inventories

AASB 102.36 (a)
AASB 101.117 (a)

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.18 Income taxes

AASB 101.117 (a)
AASB 101.117 (b)

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

AASB 101.117 (a)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

AASB 101.122

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

AASB 101.117 (b)

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.19 Taxation of financial arrangements

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Group has assessed the potential impact of these changes on the Group's tax position and these are not considered to be significant. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 31 December 2012 (2011: $Nil).

3.20 Cash and cash equivalents

AASB 107.46

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

3.21 Non-current assets and liabilities classified as held for sale and discontinued operations

AASB 101.117 (a)

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probable, the asset or disposal group is classified as 'held for sale' and presented separately in the statement of financial position. Liabilities are classified as 'held for sale' and presented as such in the statement of financial position if they are directly associated with a disposal group.

AASB 101.117 (b)

Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some 'held for sale' assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's accounting policy for those assets. Once classified as 'held for sale', the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale or remeasurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations (see Note 3.9).

3.22 Equity, reserves and dividend payments

AASB 101.79 (b)

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Reserves include the following:

- Revaluation reserve - comprises gains and losses from the revaluation of land (see Note 3.12)
- Foreign currency translation reserve – comprises foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into AUD (see Note 3.5)
- AFS financial assets and cash-flow hedge reserves – comprises gains and losses relating to these types of financial instruments (see Note 3.16)

Retained earnings includes all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

3.23 Post employment benefits and short-term employee benefits

AASB 101.117 (b)

The Group provides post-employment benefits through defined benefit plans as well as various defined contribution plans.

Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Defined benefit plans

Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

AASB 101.117 (a)

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

AASB 119.12A (a)

Actuarial gains and losses are not recognised as an expense unless the total unrecognised gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Interest expenses related to pension obligations are included in finance costs in profit or loss. Return on plan assets is included in other financial items. All other post-employment benefit expenses are included in employee benefits expense.

Short-term employee benefits

Short-term employee benefits, including annual leave entitlement, are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

3.24 Share-based employee remuneration

AASB 101.117 (b)

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

AASB 101.117 (a)

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

3.25 Provisions, contingent liabilities and contingent assets

AASB 101.117 (b)

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

AASB 101.117 (a)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

AASB 101.117 (a)

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

3.26 Goods and Services Tax (GST)

Interpretation 1031

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax 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 components of investing and financing activities, which are disclosed as operating cash flows.

3.27 Rounding of Amounts

ASCI Class Order 98/100
AASB 101.51 (e)

The parent entity 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.

3.28 Significant management judgement in applying accounting policies and estimation uncertainty

AASB 101.122

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

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of service and construction contract revenue

Determining when to recognise revenues from after-sales services requires an understanding of the customer's use of the related products, historical experience and knowledge of the market. Recognising construction contract revenue also requires significant judgment in determining milestones, actual work performed and the estimated costs to complete the work (see Note 3.6).

Capitalisation of Internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Note 3.11)

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see Note 3.18).

Estimation uncertainty

AASB 101.125

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 3.14). In 2012, the Group recognised an impairment loss on goodwill (see Note 8) and internally generated software (see Note 9).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 3.3). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 4.1).

Construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty (see Note 3.6).

Defined benefit liability (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Estimation uncertainties exist particularly with regard to the assumed medical cost trends. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 20.3).

Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 13.6).

4 Acquisitions and disposals

4.1 Acquisition of Goodtech GmbH in 2012

AASB 3.B64 (a-c)

On 31 March 2012, the Group acquired 100% of the equity instruments of Goodtech GmbH (Goodtech), a Hamburg based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the on-line retail market for computer and telecommunications hardware in Australia. Goodtech is a significant business in the Group's targeted market.

The details of the business combination are as follows:

		$'000
AASB 3.B64 (f)	**Fair value of consideration transferred**	
AASB 3.B64 (f)(i)	Amount settled in cash	16,058
AASB 3.B64 (f)(iii)	Fair value of contingent consideration	600
	Total	**16,658**
AASB 3.B64(i)	**Recognised amounts of identifiable net assets**	
	Property, plant and equipment	4,622
	Intangible assets	5,255
	Investments accounted for using the equity method	345
	Investment property	75
	Total non-current assets	10,297
	Inventories	8,995
	Trade and other receivables	7,792
	Cash and cash equivalents	567
	Total current assets	17,354
	Borrowings	(3,478)
	Deferred tax liabilities	(632)
	Total non-current assets	(4,110)
	Provisions	(1,320)
	Other liabilities	(2,312)
	Trade and other payables	(5,689)
	Total non-current liabilities	(9,321)
	Identifiable net assets	14,220
	Goodwill on acquisition	**2,438**

Consideration transferred

AASB 3.B64(f)(i)

The acquisition of Goodtech was settled in cash of $16,058,000.

AASB 3.B64(g)(i-iii)
AASB 3.B67(b)(i–iii)

The purchase agreement included an additional consideration of $1,310,000, payable only if the average profits of Goodtech for 2012 and 2013 exceed a target level agreed by both parties. The additional consideration will be paid on 1 April 2014. The $600,000 fair value of the contingent consideration liability initially recognised represents the present value of the Group's probability-weighted estimate of the cash outflow. It reflects management's estimate of a 50% probability that the targets will be achieved and is discounted using an interest rate of 4.4%[3]. As at 31 December

[3] The determination of the acquisition-date fair value of the contingent consideration should consider the expected outcome of the contingency. This example illustrates one possible approach in estimating the fair value of contingent consideration

2012, there have been no changes in the estimate of the probable cash outflow but the liability has increased to $620,000 due to the unwinding of the discount.

AASB 3.B64(m)

Acquisition-related costs amounting to $223,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of comprehensive income, as part of other expenses.

4.2 Acquisition of Good Buy Inc

AASB 3.66
AASB 3.B64(a)- (d)

On 30 June 2011, the Group acquired 100% of the equity instruments of Good Buy Inc (Good Buy), a Delaware (USA) based business, thereby obtaining control. The acquisition of Good Buy was made to enhance the Group's position as a on-line retailer for computer and telecommunication hardware in the US market.

AASB 3.B64(i)

The details of the business combination are as follows:

		$'000
AASB 3.B63(f)	Fair value of consideration transferred	
AASB 3.B63(f)(i)	Amount settled in cash	12,420
AASB 107.40(a/d)	**Recognised amounts of identifiable net assets**	
AASB 3.B64(i)	Property, plant and equipment	3,148
AASB 107.40(d)	Intangible assets	3,005
	Total non-current assets	6,153
	Inventories	5,469
	Trade and other receivables	5,200
AASB 107.40(c)	Cash and cash equivalents	344
	Total current assets	11,013
	Deferred tax liabilities	(435)
	Non-current liabilities	(435)
	Provisions and contingent liabilities	(1,234)
	Other liabilities	(657)
	Trade and other payables	(4,989)
	Total current liabilities	(6,880)
	Net identifiable assets and liabilities	9,851
	Goodwill on acquisition	**2,569**
AASB 107.40(d)	Consideration transferred settled in cash	12,420
AASB 107.40(c)	Cash and cash equivalents acquired	(344)
AASB 107.42	**Net cash outflow on acquisition**	**12,076**
	Acquisition costs charged to expenses	76
	Net cash paid relating to the acquisition	**12,152**

Consideration transferred

AASB 3.B64(f)(i) The acquisition of Good Buy was settled in cash amounting to $12,420,000.

AASB 3.B64(m) Acquisition-related costs amounting to $76,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of comprehensive income, as part of 'other expenses.'

5 Jointly controlled entities

AASB 131.54
AASB131.55
The Group has not incurred any contingent liabilities or other commitments relating to its joint venture.

6 Investments in associates

AASB 128.37(a) The shares are not publicly listed on a stock exchange and hence published price quotes are not available.

7 Revenue

The Group's revenue may be analysed as follows for each major product and service category (excluding revenue from discontinued operations):

		2012 $'000	2011 $'000
AASB 118.35(b)			
	Sale of hardware	47,585	39,145
	Sale of software	24,513	20,165
	Other	4,079	4,121
AASB 118.35(b)(i)	**Sale of goods**	**76,177**	**63,431**
	After-sales service and maintenance	18,140	17,832
	Consulting	59,837	60,116
AASB 111.39(a)	Construction contracts for telecommunications solutions	50,973	49,186
	Other income	1,066	1,028
AASB 118.35(b)(ii)	**Rendering of services**	**130,016**	**128,162**
	Group revenue	**206,193**	**191,593**

8 Goodwill

AASB 3.B67(d) The movements in the net carrying amount of goodwill are as follows:

		2012 $'000
AASB 3.B67(d)	**Gross carrying amount**	
AASB 3.B67(d)(i)	Balance 1 January	3,727
AASB 3.B67(d)(ii)	Acquired through business combination	2,438
AASB 3.B67(d)(vi)	Net exchange difference	(135)
AASB 3.B67(d)(viii)	Balance 31 December	6,030
	Accumulated impairment	
AASB 3.B67(d)(i)	Balance 1 January	(190)
AASB 3.B67(d)(v)	Impairment loss recognised	(799)
AASB 3.B67(d)(viii)	Balance 31 December	(989)
	Carrying amount at 31 December	5,041

AASB 136.126(a)
AASB136.129(a)
AASB 136.130(b) and (d)(i)

The related goodwill impairment loss of $799,000 in 2012 (2011: $190,000) was included within depreciation, amortisation and impairment of non-financial assets.

9 Other intangible assets

Details of the Group's other intangible assets and their carrying amounts are as follows:

		Acquired software licenses $'000	Internally developed software $'000	Brand names $'000	Customer lists $'000	Total $'000
AASB 138.118	**Gross carrying amount**					
	Balance at 1 January 2012	13,608	14,794	760	374	29,536
AASB 138.118(e)(i)	Addition, separately acquired	440	-	-	-	440
	Addition, internally developed	-	3,306	-	-	3,306
	Acquisition through business combination	3,653	-	215	1,387	5,255
AASB 138.118(e)(ii)	Disposals	(1,159)	-	-	-	(1,159)
	Other charges	(73)	(54)	-	-	(127)
	Balance at 31 December 2012	16,469	18,046	975	1,761	37,251
	Amortisation and impairment					
	Balance at 1 January 2012	(6.063)	(9,381)	(162)	(89)	(15,695)
AASB 138.118(e)(vi)	Amortisation	(1,978)	(1,315)	(125)	(110)	(3,528)
AASB 138.118(e)(iv)	Impairment losses	-	(870)	-	-	(870)
AASB 138.118(e)(ii)	Disposals	350	-	-	-	350
	Other charges	(48)	(36)	-	-	(84)
	Balance at 31 December 2012	(7,739)	(11,602)	(287)	(199)	(19,827)
	Carrying amount 31 December 2012	**8,730**	**6,444**	**688**	**1,562**	**17,424**

AASB 138.126

Additions to internally developed software include capitalised borrowing costs of $80,000 (2011: $78,000). In addition, research and development costs of $1,690,000 (2011: $1,015,000) were recognised as other expenses.

AASB 138.118(d)
AASB 136.126(a)
AASB 138.122(d)

The impairment loss amounted to $870,000 (2011: $Nil). All amortisation and impairment charges (or reversals if any) are included within 'depreciation, amortisation and impairment of non-financial assets'. No intangible assets have been pledged as security for liabilities.

AASB138.122(e)

During the year, the Group entered into an agreement to acquire enterprise resource planning software, to support the planning and administration of the Group's operations. Minimum contractual commitments resulting from this agreement are $97,000 payable during 2013. No other material contractual commitments were entered into during 2012 or 2011.

10 Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amount are as follows:

		Land $'000	Buildings $'000	IT equipment $'000	Other equipment $'000	Total $'000
	Gross carrying amount					
AASB 116.73(d)	Balance 1 January 2012	7,697	19,362	5,579	2,594	35,232
AASB 116.73(e)(i)	Additions	-	76	-	-	76
AASB 116.73(e)(iii)	Acquisition through business combination	730	1,221	2,306	365	4,622
AASB 116.73(e)(ii)	Disposals	-	(401)	-	-	(401)
AASB 116.73(e)(iv)	Revaluation increase	303	-	-	-	303
	Other charges	(21)	(81)	(79)	(54)	(235)
AASB 116.73(d)	Balance 31 December 2012	8,709	20,177	7,806	2,905	39,597
	Depreciation and impairment					
AASB 116.73(d)	Balance 1 January 2012	-	(12,159)	(1,503)	(923)	(14,585)
AASB 116.73(e)(ii)	Disposals	-	315	-	-	315
	Other charges	-	(54)	(53)	(36)	(143)
AASB 116.73(e)(vii)	Depreciation	-	(1,315)	(890)	(540)	(2,745)
AASB 116.73(d)	Balance 31 December 2012	-	(13,213)	(2,446)	(1,499)	(17,158)
	Carrying amount 31 December 2012	**8,709**	**6,964**	**5,360**	**1,406**	**22,439**

AASB 116.77(a)
AASB 116.77(b)
AASB 116.77(c)
AASB 116.77(d)

The Group's land was re-valued on 23 November 2012 by independent valuers. The land was previously re-valued in November 2010. Fair values were estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land.

Land with a value of $730,000, recognised upon the acquisition of Goodtech (see Note 4.1) was not re-valued to fair value at the reporting date. Management determined that the effect of changes in market prices between the acquisition and reporting dates is immaterial.

AASB 136.126(a)
AASB 136.126(b)

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

AASB 116.74(a)

Land and buildings have been pledged as security for the Group's other bank borrowings (see Note 14.5).

AASB 116.74(c)

The Group has a contractual commitment to acquire IT equipment of $1,304,000 payable in 2013. In 2012 or 2011 there were no other material contractual commitments.

11 Leases

11.1 Finance leases as lessee

AASB 117.31(a) The Group's main warehouse and related facilities and certain IT equipment are held under finance lease arrangements. As of 31 December 2012 the net carrying amount of the warehouse and related facilities held under finance lease arrangements (included as part of buildings) is $3,362,000 (2011: $3,723,000; 2010: $4,151,000); and the net carrying amount of the IT equipment held under finance lease arrangements (included as part of IT equipment) is $231,000 (2011: $480,000; 2010: $589,000) (see Note 10).

Finance lease liabilities (see Note 22) are secured by the related assets held under finance leases. Future minimum finance lease payments at the end of each reporting period under review were as follows:

		Minimum lease payments due			
		Within 1 year $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
	31 December 2012				
AASB 117.31(b)	Lease payments	727	1,415	3,539	5,681
	31 December 2011				
AASB 117.31(b)	Lease payments	726	1,432	4,072	6,230

AASB 117.31(e) The lease agreement for the main warehouse includes fixed lease payments and a purchase option at the end of the 10 year lease term. The agreement is non-cancellable but does not contain any further restrictions.

11.2 Operating leases as lessee

The Group leases an office and production building under an operating lease. The future minimum lease payments are as follows:

		Minimum lease payments due			
		Within 1 year $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
AASB 117.35(a)	31 December 2012	4,211	12,567	25,678	42,456
	31 December 2011	3,431	12,100	24,342	39,873

AASB 117.35(c)
AASB 117.35(b) Lease expense during the period amounted to $3,568,000 (2011: $3,398,000) representing the minimum lease payments.

AASB 117.35(d) The rental contract has a non-cancellable term of 15 years. The building was subject to a sale and lease back transaction in 2004. A related gain was included in other liabilities (see Note 23) and is being amortised over the remaining lease term.

11.3 Operating leases as lessor

The Group leases out investment properties on operating leases (see Note 12).

12 Investment property

Investment property includes real estate properties in Australia and in the United States, which are owned to earn rentals and capital appreciation.

AASB 140.75(d) The fair values of investment properties were estimated using observable data on recent transactions and rental yields for similar properties. Changes to the carrying amounts are as follows:

		$'000
AASB 140.76	**Carrying amount 1 January 2012**	**12,277**
	Additions:	
AASB 140.76(b)	Through business combinations	75
	Other charges	22
AASB 140.76(d)	Net gain (loss) from fair value adjustments	288
AASB 140.76	**Carrying amount 31 December 2012**	**12,662**

AASB 140.75(g) Investment properties valued at $8,327,000 are pledged as security for related borrowings.

AASB 117.56(b)
AASB 117.56(c)
AASB 117.56(a)
All properties are leased out on operating leases. The lease contracts are all non-cancellable for 8 years from the commencement of the lease. Future minimum lease rentals are as follows:

		Minimum lease payments due			
		Within 1 year	1 to 5 years	After 5 years	Total
		$'000	$'000	$'000	$'000
AASB 117.56(a)	31 December 2012	1,075	5,375	2,090	8,540
	31 December 2011	1,030	5,150	1,978	8,158

13 Financial assets and liabilities

13.1 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

		Notes	2012 $'000	2011 $'000
	Financial assets			
AASB 7.8(b)	HTM investments			
	Bonds	13.2	2,814	2,992
AASB 7.8(d)	AFS financial assets			
	Securities and debentures	13.2	951	888
AASB 7.8(a)	Financial assets at FVTPL			
	Other short-term financial assets	13.3	655	649
	Derivative financial instruments	13.4	115	212
			770	861
AASB 7.7	Derivatives designated as cash flow hedging instruments (carried at fair value)			
	Derivative financial instruments	13.4	467	-
AASB 7.8(c)	Loans and receivables			
	Trade and other receivables	16	30,945	23,441
	Cash and cash equivalents	17	34,789	11,237
			65,734	34,678
	Financial liabilities			
AASB 7.8(e)	Financial liabilities at FVTPL:			
	Non-current borrowings	13.5	7,700	7,965
	Current borrowings	13.5	250	255
			7,950	8,220
AASB 7.8(f)	Financial liabilities measured at amortised cost:			
	Non-current:			
	Borrowings	13.5	13,300	13,300
	Current:			
	Borrowings	13.5	4,565	3,124
	Trade and other payables	22	8,547	6,590
			26,412	23,014
AASB 7.7	Derivatives designated as cash flow hedging instruments (carried at fair value)			
	Derivative financial instruments	13.4	-	160

AASB 7.27 See Note 3.16 for a description of the accounting policies for each category of financial instruments. Information relating to fair values is presented in the related notes. The methods used to measure fair value are described in Note 13.6.

13.2 Other long-term financial assets

Other long-term financial assets include the following investments:

		2012 $'000	2011 $'000
AASB 7.8(b)	HTM investments:		
	Bonds	2,814	2,992
AASB 7.8(d)	AFS financial assets:		
	Securities and debentures	951	888
	Other long-term financial assets	**3,765**	**3,880**

AASB 7.7

13.3 Bonds

HTM financial assets comprise zero coupon and US straight bonds with fixed interest rates between 5.5% and 6.2%. They mature in 2013 and 2014. The carrying amounts, measured at amortised cost, and fair values of these financial assets are as follows:

		2012 $'000	2011 $'000
AASB 7.8(b)	Carrying amount at amortised cost:		
	Zero coupon bonds	1,110	1,189
	US straight bonds	1,704	1,803
AASB 7.8(b)	Carrying amount	**2,814**	**2,992**

AASB 7.27(a)
AASB 7.27(b)

These bonds are publicly traded, and fair values have been estimated by reference to their quoted bid prices at their reporting date. The fair value valuation for the US straight bonds also reflects the US-dollar spot rate as at the reporting date.

13.4 Securities and debentures

The carrying amounts of AFS financial assets are as follows:

		2012 $'000	2011 $'000
	Listed equity securities	421	343
	Investment in XY Ltd	433	433
	Listed debentures	97	112
AASB 7.8(d)	**Carrying amount**	**951**	**888**

Other than the investment in XY Ltd, the assets are stated at fair value. The equity securities and debentures are denominated in AUD and are publicly traded in Australia.

AASB 7.30(a)-(e)

The investment in XY Ltd represents a 15% equity interest in an unlisted company, one of the Group's suppliers. XY Ltd is undertaking a major restructuring process since 2011, which has triggered possible litigation by third parties. Due to these uncertainties, the fair value of the Group's investment in this entity cannot be reliably measured. Therefore, it has been stated at cost less impairment charges. In 2011, an impairment charge of $350,000 was recognised within finance cost. The Group plans to continue to hold its investment in XY Ltd while it secures other supply lines.

13.5 Other short-term financial assets

In the reporting periods under review, other short-term financial assets include various investments in money market funds considered to be held for short-term trading.

AASB 7.8(a)

	2012 $'000	2011 $'000
Financial assets at fair value through profit or loss:		
Money market funds	**655**	**649**

Money market funds are carried at fair value. All of these money market funds are publicly traded on stock exchanges in Australia.

13.6 Derivative financial instruments

The carrying amounts for the Group's derivative financial instruments may be further analysed as follows:

AASB 7.22(b)

	2012 $'000	2011 $'000
Fair value:		
US-Dollar forward contracts – cash flow hedge	467	-
Other forward exchange contracts – held-for-trading	115	212
Derivative financial assets	**582**	**212**
US-Dollar forward contracts – cash flow hedge	-	(160)
Derivative financial liabilities	**-**	**(160)**
Net fair value of derivatives	**582**	**52**

AASB 7.22(a)
AASB 7.22(b)
AASB 7.22(c)

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast sales in US dollars and other currencies. All US-dollar forward exchange contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

Other forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated.

AASB 7.23(a)
AASB 7.23(b)

The Group's US-dollar forward contracts relate to cash flows that have been forecast for October-December 2013. All forecast transactions for which hedge accounting has been used are expected to occur.

AASB 7.23(c)

During 2012, a gain of $367,000 was recognised in other comprehensive income (2011: a loss of $47,000). The cumulative amount recorded in equity is $467,000 (2011: cumulative loss of $160,000; 2010: cumulative gain of $312,000).

AASB 7.23(d)
AASB 7.23(e)

During 2012, a loss of $260,000 (2011: net gain of $425,000) was reclassified from equity into profit or loss within revenue.

13.7 Borrowings

Borrowings include the following financial liabilities:

		Current		Non-current	
		2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
AASB 7.8(e)	Financial liabilities at FVTPL:				
	US-Dollar loans	250	255	7,700	7,965
AASB 7.8(f)	Financial liabilities measured at amortised cost:				
	Other bank borrowings	4,565	3,124	-	-
	Non-convertible bond	-	-	8,300	8,300
	Subordinated shareholder loan	-	-	5,000	5,000
	Total carrying amounts	**4,815**	**3,379**	**21,000**	**21,265**

Other than the US-dollar loans, all borrowings are denominated in AUD.

AASB 7.27

Fair values of long-term financial liabilities have been determined by calculating their present values at the reporting date, using fixed effective market interest rates available to the Group. Except for the US-dollar loans, no fair value changes have been included in profit or loss for the period as financial liabilities are carried at amortised cost in the statement of financial position.

US-dollar loans at fair value through profit or loss:

US-dollar loans are designated at FVTPL to significantly reduce measurement inconsistencies (see Note 3.16). The interest rate is fixed at 4%. Movements in the carrying amount of these US-dollar loans are presented below:

	2012 $'000	**2011 $'000**
Carrying amount 1 July	**8,220**	**8,380**
Repayments	(300)	(230)
New borrowings	-	-
Change in fair values:		
Other market factors	30	70
Carrying amount 30 June	**7,950**	**8,220**

AASB 7.27

The fair value of the loans is measured as described in Note 13.6.

Borrowings at amortised cost:

AASB116.74(a) Other bank borrowings are secured by land and buildings owned by the Group (see Note 10).

AASB 124.17 The subordinated shareholder loan was provided by Grant Thornton CLEARR's main shareholder, the LOM Investment Trust in 2009. It is perpetual and carries a fixed coupon of 4.0%. It is repayable only upon liquidation of Grant Thornton CLEARR.

13.8 Measurement of fair value

AASB 7.27 The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a Listed securities, debentures and money market funds

AASB 7.27(a)
AASB 7.27(b)

Fair values have been determined by reference to their quoted bid prices at the reporting date.

b Foreign currency forward contracts

AASB 7.27(a)
AASB 7.27(b)

The Group's foreign currency forward contracts are not traded in active markets. The fair values of most of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates and are included in Level 2 of the fair value hierarchy. However, a few of the Group's derivative positions in foreign currency forward contracts relate to currencies for which markets are less developed and observable market data are not available. For these contracts, management uses its best estimate about the assumptions that market participants would make. These contracts are therefore classified within Level 3.

c US-dollar loans

AASB 7.27(a)
AASB 7.27(b)

The fair value of the US-dollar loans is estimated using a valuation technique. All significant inputs into the model are based on observable market prices, e.g. market interest rates of similar loans with similar risk. The interest rate used for this calculation is 3.9%.

d Contingent consideration

AASB 7.27(a)
AASB 7.27(b)

The fair value of contingent consideration related to the acquisition of Goodtech (see Note 4.1) is estimated using a valuation technique. Significant inputs into the model are based on management's assumption of the expected cash outflow and a discount rate of 4.4%.

14 Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

AASB 112.81(g)

Deferred tax liabilities (assets)	1 January 2012 $'000	Recognised in other comprehensive income $'000	Recognised in business combination $'000	Recognised in profit and loss $'000	31 December 2012 $'000
Non-current assets					
Other intangible assets	847	(63)	444	30	1,258
Property, plant and equipment	2,130	(22)	188	406	2,702
Other long term financial assets	(95)	-	-	19	(76)
Investment property	1,914	-	-	93	2,007
Current assets					
Trade and other receivables	(168)	-	-	38	(130)
Non-current liabilities					
Current liabilities					
Provisions	(1,003)	-	-	639	(364)
Unused tax losses	(75)	-	-	75	-
	3,550	(85)	632	1,300	5,397
Recognised as:					
Deferred tax asset	**(225)**				**-**
Deferred tax liability	**3,775**				**5,397**

Deferred taxes for the comparative period ended 31 December 2011 can be summarised as follows:

AASB 112.81(g)

Deferred tax liabilities (assets)	**1 January 2011 $'000**	**Recognised in other comprehensive income $'000**	**Included in disposal group $'000**	**Recognised in business combination $'000**	**Recognised in profit and loss $'000**	**31 December 2011 $'000**
Non-current assets						
Other intangible assets	409	(27)	-	210	255	847
Property, plant and equipment	1,528	(68)	-	225	445	2,130
Other long term financial assets	-	-	-	-	(95)	(95)
Investment property	1,861	-	-	-	53	1,914
Current assets						
Trade and other receivables	(34)	-	-	-	(134)	(168)
Non-current liabilities						
Current liabilities						
Provisions	(1,320)	-	74	-	243	(1,003)
Unused tax losses	(300)	-	-	-	225	(75)
	2,144	(95)	74	435	992	3,550
Recognised as:						
Deferred tax asset	**(520)**					**(225)**
Deferred tax liability	**2,664**					**3,775**

The amounts recognised in other comprehensive income relate to revaluation of land and exchange differences on translating foreign operations. See Note 19.2 for the amount of the income tax relating to these components of other comprehensive income.

AASB 112.81(e)

All deferred tax assets (including tax losses and other tax credits) have been recognised in the statement of financial position.

15 Inventories

Inventories consist of the following:

AASB 101.77
AASB 101.78(c)
AASB102.36(b)

	2012 $'000	2011 $'000
Raw materials and consumables	7,737	7,907
Merchandise	10,811	9,469
	18,548	**17,376**

AASB 102.36(d)
AASB 102.36(e)

In 2012, a total of $35,265,000 of inventories was included in profit and loss as an expense (2011:$32,907,000). This includes an amount of $361,000 resulting from write down of inventories (2011: $389,000).

16 Trade and other receivables

Trade and other receivables consist of the following:

AASB 101.77
AASB 101.78(b)

	2012 $'000	2011 $'000
Trade receivables, gross	31,265	23,889
Allowance credit losses	(432)	(560)
Trade receivables	**30,833**	**23,329**
Receivables due from ABC associates	112	112
Financial assets	**30,945**	**23,441**
Social security and other taxes	1,012	898
Construction contracts for telecommunication solutions	1,374	974
Prepayments	298	315
Non financial assets	**2,684**	**2,187**
	33,629	**25,628**

AASB 7.25
AASB 7.29

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

AASB 101.60

The receivable due from ABC associates relates to the remaining consideration due on the sale of a former subsidiary in 2010. The carrying amount of the receivable is considered a reasonable approximation of fair value as this financial asset (which is measured at amortised cost) is expected to be paid within six months, such that the time value of money is not significant.

AASB 7.37(b)

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of $72,000 (2011: $514,000) has been recorded accordingly within other expenses.

AASB 7.16 The movement in the allowance for credit losses can be reconciled as follows:

Reconciliation of bad debt loss	**2012 $'000**	**2011 $'000**
AASB 7.16 Balance 1 July	560	112
Amounts written off (uncollectable)	(200)	(66)
Impairment loss	72	514
Impairment loss reversed	-	-
Balance 30 June	432	560

16.1 Construction contracts

AASB 111.39(a) Revenue of $50,973,000 (2011: $49,186,000) relating to construction contracts for telecommunication solutions has been included in revenue for the current reporting period.

AASB 111.43
AASB 111.44
The amounts recognised in the statement of financial position relate to construction contracts in progress at the end of the reporting period. The amounts are calculated as the net amounts of costs incurred plus recognised profits, less recognised losses and progress billings.

The carrying amounts of assets and liabilities are analysed as follows:

	2012 $'000	**2011 $'000**
Recognised as:		
AASB 111.42(a) Due from customers for construction contract work, recognised in trade and other receivables	1,374	974
AASB 111.42(b) Due to customers for construction contract work, recognised in other liabilities	288	207

17 Cash and cash equivalents

AASB 107.45 Cash and cash equivalents consist the following:

	2012 $'000	**2011 $'000**
Cash at bank and in hand:		
AUD	24,352	7,867
GBP	2,087	674
USD	1,392	449
Short term deposits (AUD)	6,958	2,247
	34,789	**11,237**

AASB 107.48
AASB 110.19
Following the acquisition of Goodtech some bank deposits of the acquiree were temporarily not available for general use by the Group because of legal restrictions. The amount of cash and cash equivalents inaccessible to the Group as at 31 December 2012 amounts to $500,000 (2011 and 2010: $Nil). All restrictions on bank deposits were removed prior to approval of these consolidated financial statements on 28 February 2013.

18 Assets and disposal groups classified as held for sale and discontinued operations

AASB 5.41(a)-(c)

In the middle of 2011, management decided to discontinue in-store sale of IT and telecommunications hardware. This decision was taken in line with the Group's strategy to focus on its on-line retail business. Consequently, assets and liabilities allocable to Highstreet Ltd and subsidiaries (included in the retail segment) were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of comprehensive income (see loss for the year from discontinued operations).

AASB 5.38

The carrying amounts of assets and liabilities in this disposal group are summarised as follows:

	2012 $'000	2011 $'000
Non-current assets		
- Property, plant and equipment	103	2,578
- Deferred tax	-	227
Current assets		
- Inventories	-	1,081
- Cash and cash equivalents	-	22
Assets classified as held for sale	**103**	**3,908**
Current liabilities		
- Provisions	-	(245)
- Trade and other payables	-	(190)
- Current tax liabilities	-	(14)
Liabilities classified as held for sale	**-**	**(449)**

AASB 5.33(c)

Cash flows generated by Highstreet Ltd and subsidiaries for the reporting periods under review until the disposal are as follows:

	2012 $'000	2011 $'000
Operating activities	(22)	811
Investing activities	3,117	-
Cash flows from discontinued operations	**3,095**	**811**

Cash flows from investing activities relate solely to the proceeds from the sale of Highstreet Ltd.

19 Equity

19.1 Share capital

AASB 101.79(a)(iii)
AASB 101.79(a)(v)

The share capital of Grant Thornton CLEARR consists only of fully paid ordinary shares, the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Grant Thornton CLEARR.

		2012	2011
AASB 101.79(a)(iv)	Shares issued and fully paid:		
	Beginning of the year	12,000,000	12,000,000
	Issued under share-based payments	270,000	-
	Share issue	1,500,000	-
AASB 101.79(a)(ii)	**Shares issued and fully paid**	**13,770,000**	**12,000,000**
	Shares authorised for share-based payments	600,000	600,000
AASB 101.79(a)(i)	**Total shares authorised at 31 December**	**14,370,000**	**12,600,000**

Additional shares were issued during 2011 relating to share-based payments (see Note 20.2 for details on the Group's share-based employee remuneration schemes).

The Group issued 1,500,000 shares on 30 October 2012, corresponding to 12.5% of total shares issued. Each share has the same right to receive dividend and the repayment of capital and represents one vote at the shareholders' meeting of Grant Thornton CLEARR.

AASB 101.79(a)(vii)

The authorised shares that have not yet been issued have been authorised solely for use in the Group's share-based remuneration programmes (see Note 20.2).

19.2 Other reserves

The details of other reserves are as follows:

		Foreign Currency Translation Reserve	Revaluation Reserve	AFS financial assets reserve	Cash flow hedges reserve	Total
AASB 101.106(d)(i)						
AASB 101.106A	**Balance at 1 January 2011**	**(113)**	**689**	**-**	**312**	**888**
	Other comprehensive income for the year (all attributable to the parent):					
	Cash flow hedges:					
AASB 7.23(c)	- Current year gains	-	-	-	(47)	(47)
AASB 7.23(d)	- Reclassification to profit or loss	-	-	-	(425)	(425)
AASB 7.20(a)(ii)	AFS financial assets:					
	- Current year gains	-	-	35	-	35
AASB 121.52(b)	Exchange differences on translating foreign operations	(341)	-	-	-	(341)
AASB 101.91(b)	**Before tax**	**(341)**	**-**	**35**	**(472)**	**(778)**
AASB 101.90	Tax benefit (expense)	95	-	-	-	95
	Net of tax	**(246)**	**-**	**35**	**(472)**	**(683)**
	Balance at 31 December 2011	**(359)**	**689**	**35**	**(160)**	**205**
AASB 101.106A	**Balance at 1 January 2012**	**(359)**	**689**	**35**	**(160)**	**205**
	Other comprehensive income for the year (all attributable to the parent):					
	Cash flow hedges:					
AASB 7.23(c)	- Current year gains	-	-	-	367	367
AASB 7.23(d)	- Reclassification to profit or loss	-	-	-	260	260
AASB 7.20(a)(ii)	AFS financial assets:					
	- Current year gains	-	-	113	-	113
	- Reclassification to profit or loss	-	-	(50)	-	(50)
AASB 116.77(f)	Revaluation of land	-	303	-	-	303
AASB 121.52(b)	Exchange differences on translating foreign operations	(664)	-	-	-	(664)
AASB 101.82(h)	Equity accounted investments	-	-	-	5	5
AASB 101.82(h)	- Reclassification to profit or loss	-	-	-	(3)	(3)
AASB 101.91(b)	**Before tax**	**(664)**	**303**	**63**	**629**	**331**
AASB 101.90	Tax benefit (expense)	176	(91)	-	-	85
	Net of tax	**(488)**	**212**	**63**	**629**	**416**
	Balance at 31 December 2012	**(847)**	**901**	**98**	**469**	**621**

20 Employee remuneration

20.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

		2012	2011
		$'000	$'000
AASB 119.142	Wages, salaries	96,564	91,226
	Social security costs	11,229	10,608
AASB 2RDR 50.1	Share-based payments	298	466
	Pensions – defined benefit plans	1,608	2,130
AASB 119.46	Pensions – defined contribution plans	4,491	4,243
	Employee benefits expense	**114,190**	**108,673**

20.2 Share-based employee remuneration

As at 31 December 2012 the Group maintained two share-based payment schemes for employee remuneration, the Star Programme and the Stay Programme. Both programmes will be settled in equity.

AASB 2.45(a)

The Star Programme is part of the remuneration package of the Group's senior management. Options under this programme will vest if certain conditions, as defined in the programme, are met. It is based on the performance of Grant Thornton CLEARR's shares compared to other companies in the Australian Stock Exchange within a specified period. In addition, participants in this programme have to be employed until the end of the agreed vesting period. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 20-25% of the market price determined at grant date.

AASB 2.45(a)

The Stay Programme is part of the remuneration package of the Group's research and development and sales personnel. Options under this programme will vest if the participant remains employed for the agreed vesting period. The maximum term of the options granted under the Stay Programme ends on 4 January 2015. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 15-20% of the market price determined at grant date.

AASB 2.45 (b) Share options and weighted average exercise prices are as follows for the reporting periods presented:

	Star Programme		Stay Programme	
	Number of shares	Weighted average exercise price ($)	Number of share	Weighted average exercise price ($)
Outstanding at 1 January 2011	**300,000**	**6.24**	**95,250**	**5.81**
Granted	-	-	-	-
Forfeited	(513)	6.24	(1,012)	5.81
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 31 December 2011	**299,487**	**6.24**	**94,238**	**5.81**
Granted	100,000	7.81	-	-
Forfeited	(312)	6.24	(3,489)	5.81
Exercised	(270,000)	6.24	-	-
Outstanding at 31 December 2012	**129,175**	**7.45**	**90,749**	**5.81**
Exercisable at 31 December 2011	-	-	-	-
Exercisable at 31 December 2012	29,175	6.24	-	-

AASB 2.RDR 46.1 The fair values of options granted were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The performance condition related to the Star Programme, being a market condition, has been incorporated into the measurement by means of actuarial modelling.

AASB 2.RDR 50.1 In total, $298,000 (2011: $466,000) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss for 2012 and credited to share option reserve.

20.3 Employee benefits

The liabilities recognised for employee benefits consist of the following amounts:[4]

	2012 $'000	2011 $'000
Noncurrent:		
- Defined benefit plans	**11,224**	**10,812**
Current:		
- Defined benefit plans	1,246	1,193
- Other short term employee obligations	221	303
Current pension and other employee obligations	**1,467**	**1,496**

4 In the statement of financial position, the current and non-current portion of the defined benefit obligation are presented separately to comply with AASB 101.60. However, paragraph 118 of AASB 119 *Employee Benefits* does not specify whether this disaggregation is needed. Therefore, an entity is also allowed to present the obligation as non-current in its entirety.

AASB 101.69

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2013. Other short-term employee obligations arise mainly from accrued annual leave entitlements at the reporting date and various superannuation payments. As none of the employees are eligible for early settlement of superannuation arrangements, the remaining part of superannuation obligations for defined benefit plans is considered non-current.

Defined benefit plan

AASB 119 .120A(b)

The Group has set up a partly funded pension scheme for mid-to senior management that was available to certain senior workers after completing five years of service. According to the plan, a certain percentage of the current salary is converted into a pension component each year. Pensions under this scheme are paid out when a beneficiary has reached the age of 65.

The reconciliation of the Group's defined benefit obligations (DBO) and plan assets to the amounts presented on the statement of financial position for each of the reporting periods are presented below:

		2012	2011
		$'000	**$'000**
AASB 119.120A(f)	Defined benefit obligations	53,874	47,410
	Fair value of planned assets	(42,242)	(32,575)
AASB 119.120A(f)(i)	Net actuarial gain (loss) not recognised	1,438	(1,930)
AASB 119.120A(f)(ii)	Past service cost not yet recognised	(600)	(900)
	Defined benefit plan	**12,470**	**12,005**
	Classified as:		
	Noncurrent liability	11,224	10,812
	Current liability	1,246	1,193
		12,470	**12,005**

Defined benefit obligation

The details of the Group's DBO are as follows:

		2012
		$'000
AASB 119.RDR120A.1)	**Defined benefit obligation 1 January**	**47,410**
	All other changes	7,715
	Benefits paid	(1,251)
	Defined benefit obligation 31 December	**53,874**

The DBO was determined using the following actuarial assumptions:

		2012	2011
		$'000	$'000
AASB 119.120A(n)(i)	Discount rate	5.3%	5.5%
AASB 119.120A(n)(ii)	Expected rate of return on plan assets	7.2%	7.4%
AASB 119.120A(n)(iv)	Expected rate of salary increases	4.3%	4.2%
AASB 119.120A(n)(v)	Medical cost trend rates	4.4%	4.0%
AASB 119.120A(n)(vi)	Average life expectancies:		
	- Male, 65 years of age at reporting date	82.5	82.5
	- Female, 65 years of age at reporting fate	84.5	84.5
	- Male, 45 years of age at reporting date	84.5	84.5
	- Female, 45 years of age at reporting date	87.5	87.5

AASB 101.125(a)
AASB 101.125(b)

These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on management's historical experience.

Plan assets

The reconciliation of the balance of the assets held for the Group's defined benefit plan is presented below:

		2012	2011
		$'000	$'000
AASB 119.120A(e)	**Fair value of plan assets 1 January**	**32,575**	**29,901**
AASB 119.120A(e)(i)	All other changes	9,074	1,938
AASB 119.120A(e)(iv)	Contributions by the Group	1,186	1,273
AASB 119.120A(e)(v)	Contributions by beneficiaries	658	650
AASB 119.120A(e)(vi)	Benefits paid	(1,251)	(1,187)
	Fair value of plan assets 31 December	**42,242**	**32,575**

AASB 119.120A(k)

Plan assets do not comprise any of the Group's own financial instruments or any assets used by Group companies. Plan assets can be broken down into the following major categories of investments:

		Total plan assets	
		2012	**2011**
AASB 119.120A(j)	Real estate funds	27%	27%
	Equity investment funds	50%	51%
	Money market funds	1%	1%
	Other debt instruments	17%	18%
	Liquid funds	5%	3%
		100%	**100%**

Defined benefit plan expenses

Expenses related to the Group's defined benefit plans are as follows:

		2012 $'000	2011 $'000
AASB 119.120A(g)	Total expenses recognised in profit or loss	1,651	1,980

AASB 119.120A(g)
AASB 119.120A(h)

Interest costs have been included in finance costs (see Note 24). Return on plan assets is included in other financial items (see Note 25). All other expenses summarised above were included within employee benefits expense. The Group recognises all actuarial gains and losses in accordance with the corridor approach (see Note 3.23). Actuarial gains and losses arising in the year were within the corridor and have therefore not been recognised in profit or loss.

AASB 119.120 (m)

In 2012, the actual return on plan assets was $2,900,000 (2011: $1,900,000).

21 Provisions

AASB 101.69

All provisions are considered current. The carrying amounts and movements in the provisions account are as follows:

		Restructuring $'000	Other $'000	Total $'000
AASB 137.84(a)	**Carrying amount 1 January 2012**	**2,110**	**1,235**	**3,345**
	Other charges	-	1,570	1,570
AASB 137.84(c)	Amount utilised	(876)	(2,211)	(3,087)
AASB 137.84(d)	Reversals	(510)	(103)	(613)
AASB 137.84(a)	**Carrying amount 31 December 2012**	**724**	**491**	**1,215**

Provisions recognised at acquisition date in a business combination are included in additions (see Note 4.1). Provisions classified as held for sale are included within amount utilised (see Note 18).

AASB 137.85(a)
AASB 137.85(b)
AASB 137.85(c)
AASB 101.60

The provision for restructuring relates to the Phoenix programme, which was initiated in early 2011 and carried out predominantly in 2011 and 2012. The Group's management expects to settle the remaining termination remuneration for former employees and legal fees relating to the restructuring programme in 2013. The Group is not eligible for any reimbursement by third parties in this regard.

AASB 101.125(a)
AASB 101.125(b)

The restructuring provision as at 31 December 2012 was reduced due to the outcome of several lawsuits brought against the Group during 2011 by former employees. Out of court settlements based on the outcome of earlier settlements are expected for most of the remaining claims.

AASB 137.85(a)
AASB 137.85(b)
AASB 137.85(c)

Other provisions relate to various legal and other claims by customers, such as for example warranties for which customers are covered for the cost of repairs.

AASB 101.61

Usually, these claims are settled between three and 18 months from initiation, depending on the procedures used for negotiating the claims. As the timing of settlement of these claims is to a large extent dependent on the pace of negotiation with various counterparties and legal authorities, the Group cannot reliably estimate the amounts that will eventually be paid in settlement after more than 12 months from the reporting date. Therefore, the amount is classified as current.

AASB 101.125
AASB 137.92

The majority of the other provisions recognised at 31 December 2012 related to claims initiated in 2010 that were settled during 2011/12. Management, on the advice of counsel, does not expect the outcome of any of the remaining cases will give rise to any significant loss beyond the amounts recognised at 31 December 2012. None of the provisions will be discussed here in further detail so as to not seriously prejudice the Group's position in the related disputes.

22 Trade and other payables

Trade and other payables recognised consist of the following:

	2012 $'000	2011 $'000
Current		
- Trade payables	7,893	6,512
- Short term bank overdrafts	654	78
- Finance lease liabilities	512	506
	9,059	**7,096**
Non-current		
- Finance lease liabilities	4,096	4,608
Total trade and other payables	**13,155**	**11,704**

AASB 7.25
AASB 7.27(a)
AASB 7.27(b)
AASB 7.29

With the exception of the non-current part of finance lease liabilities, all amounts are short-term. The carrying values of trade payables and short-term bank overdrafts are considered to be a reasonable approximation of fair value.

The fair value of the Group's finance lease liabilities has been estimated at $4,608,000 (2011: $5,114,000). This amount reflects present value and takes into account interest rates available on secured bank borrowings on similar terms. See Note 11.1 for further information.

23 Other liabilities

Other liabilities can be summarised as follows:

AASB 111.42 (b)

	2012 $'000	2011 $'000
Due to customers for construction contract work	288	207
Advances received for construction contract work	225	220
Deferred service income	2,123	2,291
Other	22	657
Deferred gain	100	100
Other liabilities - current	**2,758**	**3,475**
Contingent consideration for the acquisition of Goodtech	620	-
Deferred gain	1,400	1,500
Other liabilities – non current	**2,020**	**1,500**

The deferred gain relates to a sale and leaseback of an office and production building in 2003. The excess of proceeds received over fair value was deferred and is being amortised over the lease term of 15 years. In 2012, deferred income of $100,000 (2011: $100,000) was recognised in profit or loss relating to this transaction. The subsequent leasing agreement is treated as an operating lease (see Note 11.2). The non-current part of the deferred gain will be amortised between 2013 and the end of the lease term.

AASB 101.69
AASB 101.61

All amounts recognised relating to deferred service income are considered current as the timing of service commitments is not at the discretion of the Group. Assuming an average remaining term of service on service contracts at 31 December 2012 of 32 months (2011: 38 months) and constant service activity over the remaining term, the Group expects to amortise $796,000 of deferred service income during 2013 (2012: $723,000), and $1,327,000 after that time (2012: $1,568,000).

The amounts recognised in respect of construction contracts will generally be utilised within the next reporting period (see Note 16.1).

24 Finance costs and finance income

Finance costs for the reporting periods consist of the following:

		2012 $'000	2011 $'000
AASB 7.20(b)	Interest expenses for borrowings at amortised cost		
	- Subordinated shareholder loan	200	200
	- Other borrowings at amortised cost	595	555
		795	**755**
	Interest expenses for finance lease arrangements	220	230
AASB 7.20(b)	Total interest expenses for financial liabilities not at FVTPL	**1,015**	**985**
AASB 123.26(a)	Less: interest expenses capitalised into intangible assets	(80)	(78)
		935	**907**
AASB 119.120A(g)(ii)	Defined benefit obligation interest expenses	2,488	2,267
	Unwinding of discount relating to contingent consideration liability	20	-
AASB 7.20(a)(i)	Loss on foreign currency financial liabilities designated at fair value through profit or loss	30	70
AASB 7.20(a)	Impairment of investment in XY Ltd (AFS)	-	350
		3,473	**3,594**

AASB 7.B5(e)

The loss on foreign currency financial liabilities designated at FVTPL takes account of interest payments on these loans.

AASB 7.20(e)

An impairment loss was recognised in 2011 for the investment in XY Ltd, which is carried at cost less impairment charges as its fair value cannot be measured reliably (see Note 13.2).

Finance income for the reporting periods consists of the following:

		2012 $'000	2011 $'000
	Interest income from cash and cash equivalents	583	266
AASB 7.20(b)	Interest income on financial assets carried at amortised cost and AFS financial assets	169	181
AASB 7.20(b)	Total interest income for financial assets not at FVTPL	**752**	**447**
AASB 118.35(b)(v)	Dividend income from XY Ltd (AFS)	40	-
AASB 118.35(b)(v)	Dividend income from AFS listed securities	22	21
AASB 7.20(a)(i)	Fair value gains on forward exchange contracts held for trading	130	325
AASB 7.20 (a)(ii)	Gains on AFS financial asses reclassified from other comprehensive income	50	-
		994	**793**

25 Other financial items

Other financial items consist of the following:

		2012 $'000	2011 $'000
AASB 7.20(a)(i)	Gain / (loss) from financial assets at fair value through profit and loss	6	18
AASB 121.52(a), AASB 7.20(a)(iv)	Gain / (loss) from exchange differences on loans and receivables	937	1,164
	Return on retirement benefit plan assets	2,445	2,417
	Other financial items	**3,388**	**3,599**

26 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Grant Thornton CLEARR at 30% (2011: 30%) and the reported tax expense in profit or loss are as follows:[5]

		2012	2011
AASB 112.81(c)(i)		**$'000**	**$'000**
	Profit before tax	22,588	19,961
AASB 112.85	Domestic tax rate for Grant Thornton CLEARR	30%	30%
	Expected tax expense	**6,776**	**5,988**
AASB 112.84	Adjustment for tax-rate differences in foreign jurisdictions	16	18
AASB 112.84	Adjustment for tax-exempt income:		
	- Relating to equity accounted investments	(18)	(4)
	- Other tax-exempt income	(18)	(6)
AASB 112.84	Adjustment for non-deductible expenses:		
	- Relating to goodwill impairment	240	57
	- Other non-deductible expenses	136	131
	Actual tax expense (income)	**7,132**	**6,184**
AASB 112.79 AASB 112.80	Tax expense comprises:		
AASB 112.80(a)	Current tax expense	5,832	5,192
	Deferred tax expense (income):		
AASB 112.80(c)	- Origination and reversal of temporary differences	1,225	767
AASB 112.80	- Utilisation of unused tax losses	75	225
	Tax expense	**7,132**	**6,184**
AASB 112.RDR81.1	Tax expense (income), recognised directly in other comprehensive income	(85)	(95)

Note 14 provides information on deferred tax assets and liabilities, including the amounts recognised directly in other comprehensive income.

5 Examples of major components of tax expense are included in AASB 112.80.

27 Non-cash investing and financing activities

AASB 107.43

In 2012, the Group acquired Goodtech (see Note 4.1). The consideration transferred included a contingent payment arrangement amounting to $600,000 as of the acquisition date. The initial recognition of this liability and the subsequent unwinding of the discount of $20,000 (2011: Nil) are non-cash transactions excluded from the statement of cash flows.

28 Related party transactions

AASB 124.18(g)

The Group's related parties include its associates and joint venture, key management, post-employment benefit plans for the Group's employees and others as described below. In addition, Grant Thornton CLEARR has a subordinated loan from its main shareholder, the LOM Investment Trust (see Note 13.5 for information on terms and conditions), on which interest of $200,000 (2011: $200,000) is paid.

AASB 124.17(b)(i)
AASB 124.17(B)(ii)

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

28.1 Transactions with associates

AASB 124.18(d)
AASB 124.17
AASB 124.17(a)
AASB 124.17(b)

In order to meet peak demands by its customers, the Group has some of its consulting services carried out by professionals of its associate, Equipe Consultants S.A. During 2012, Equipe Consultants S.A. provided services valued at $568,000 (2011: $590,000). The outstanding balance of $20,000 (2011: $22,000; 2010: $18,000) due to Equipe Consultants S.A. is included in trade payables.

28.2 Transactions with joint ventures

AASB 124.18(e)
AASB 124.17(a)
AASB 124.17(b)

During 2012, Halftime Ltd provided services valued at $10,000 (2011: $3,000). For joint ventures the full amount of the transactions are shown. These amounts are recognised using the proportionate consolidation method. There is no outstanding balance as at 31 December 2012 (2011 and 2010: Nil).

28.3 Transactions with key management personnel

AASB 124.18(f)

Key management of the Group are the executive members of Grant Thornton CLEARR's Board of Directors and members of the executive council. Key management personnel remuneration includes the following expenses:

		2012 $'000	2011 $'000
AASB 124.16	Total key management personnel remuneration	3,250	2,920

AASB 124.17

During 2012, certain key management personnel exercised share options with total exercise price of $1,685,000 (2011: $Nil) granted in The Group's Star Programme.

AASB 124.17(a)
AASB 124.17(b)

The Group allows its employees to take up limited short-term loans to fund merchandise and other purchases through the Group's business contacts. This facility is also available to the Group's key management personnel. During 2012, the Group's key management received short term loans totalling $40,000 (2011: $38,000). The outstanding balance of $1,000 (2011: $1,000) has been included in trade and other receivables.

During 2012, the Group used the legal services of one company director and the law firm over which he exercises significant influence. The amounts billed related to this legal service amounted to $21,000 (2011:$Nil), based on normal market rates and was fully paid as of the reporting date.

28.4 Transactions with defined benefit plan

AASB 124.9(g)

The defined benefit plan is a related party. The defined benefit plan does not hold shares in Grant Thornton CLEARR. The Group's only transaction with the defined benefit plan relates to contributions paid to the plan (see Note 20.3).

29 Contingent assets and contingent liabilities

AASB 101.114(d)(i)
AASB 137.86

Various warranty and legal claims were brought against the Group during the year. Unless recognised as a provision (see Note 21), management considers these claims to be unjustified and the probability that they will require settlement at the Group'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 Group's position in the related disputes.

30 Parent entity information

Information relating to Grant Thornton CLEARR ('the parent entity')

	2012 $'000	2011 $'000
Statement of financial position		
Current assets	56,816	40,220
Total assets	96,751	96,153
Current liabilities	5,942	11,784
Total liabilities	41,355	54,015
Issued capital	13,770	12,000
Retained earnings	40,480	29,314
Asset revaluation reserve	800	689
Available for sale reserve	98	35
Cash flow hedge reserve	248	100
	55,396	42,138
Statement of comprehensive income		
Profit for the year	11,166	9,457
Other comprehensive income	322	258
Total comprehensive income	11,488	9,715

The parent entity has capital commitments of $1.1m to purchase plant and IT equipment (2011:$Nil).

The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

31 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Directors' declaration

1 In the opinion of the directors of Grant Thornton CLEARR RDR Example Pty Ltd: CA 295(4)

a the consolidated financial statements and notes of Grant Thornton CLEARR RDR Example Pty Ltd are in accordance with the *Corporations Act 2001*, including

i giving a true and fair view of its financial position as at 31 December 2012 and of its performance for the financial year ended on that date; and CA 295(4)(d)(ii)

ii complying with Australian Accounting Standards Reduced Disclosure Regime (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and CA 295(4)(d)(i)

b there are reasonable grounds to believe that Grant Thornton CLEARR RDR Example Pty Ltd will be able to pay its debts as and when they become due and payable. CA 295(4)(c)

Signed in accordance with a resolution of the directors: CA 295(5)(a)

Director: .... CA 295(5)(c)
Blake Smith

Dated this 28th day of February 2013 CA 295(5)(b)

Independent Auditor's Report

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Independent Auditor's Report
To the Members of Grant Thornton CLEARR RDR Example Pty Ltd

We have audited the accompanying financial report of Grant Thornton CLEARR RDR Example Pty Ltd (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Grant Thornton CLEARR RDR Example Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Auditor's opinion

In our opinion, the financial report of Grant Thornton CLEARR RDR Example Pty Ltd is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A B Partner
Partner - Audit & Assurance

Sydney, 28 February 2013

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 management's assessment of which format provides information that is reliable and more relevant.

The NOE format is illustrated in the main body of the example consolidated financial statements. The FOE format is illustrated in this appendix. The example shows the 'income statement' separately, i.e. 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 (for example, see Note 8, Note 9 and Note 20 of the example financial statements) should reflect the actual line items presented in the FOE income statement.

In addition, when an entity includes the analysis of profit or loss from discontinued operation in the notes to the financial statements (see Note 18), such information should be presented in the same format as the main income statement. This will facilitate a better understanding of the financial effects of the discontinued operations.

Consolidated Income Statement

for the year ended 31 December 2012

		Notes	2012	2011
AASB 101.51				
AASB 101.51(c)			$'000	$'000
AASB 101.51(d-e)				
AASB 101.82(a)	**Revenue**	7	206,193	191,593
AASB 101.85	Costs of sales		(111,523)	(103,606)
AASB 101.85	**Gross Profit**		**94,670**	**87,987**
AASB 101.85	Other Income		427	641
AASB 101.85	Distribution costs		(12,213)	(11,473)
AASB 101.85	Administrative expenses		(48,853)	(45,894)
AASB 101.85	Research and development costs		(1,690)	(1,015)
AASB 101.85	Changes in fair value of investment property	12	310	175
AASB 101.85	Other expenses		(11,032)	(11,270)
			21,619	**19,151**
AASB 101.82(c)	Share of profit from equity accounted investments		60	12
AASB 101.82(b)	Finance costs	24	(3,473)	(3,594)
AASB 101.85	Finance income	24	994	793
AASB 101.85	Other financial items	25	3,388	3,599
	Profit before tax		**22,588**	**19,961**
AASB 101.82(d)	Tax expense	26	(7,132)	(6,184)
	Profit for the year from continuing operations		**15,456**	**13,777**
AASB 101.82(e)	Loss for the year from discontinued operations	18	(9)	(325)
AASB 101.82(f)	**Profit for the year**		**15,447**	**13,452**
	Profit for the year attributable to:			
AASB 101.83(a)(i)	Non-controlling interest		121	116
AASB 101.83(a)(ii)	Owners of the parent		15,326	13,336
			15,447	**13,452**

Appendix B: Statement of comprehensive income presented in two statements

The main body in these example consolidated financial statements presents the statement of comprehensive income of **one** statement (see guidance note to the consolidated 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 consolidated 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. For example, tailoring is necessary to reflect that discontinued operations are shown as a separate line item in the statement of comprehensive income (see Note 3.9). 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 two pages.

Consolidated Income Statement

for the year ended 31 December 2012

		Notes	2012	2011
AASB 101.51				
AASB 101.51(c)			$'000	$'000
AASB 101.51(d-e)				
AASB 101.82(a)	**Revenue**	7	206,193	191,593
AASB 101.85	Other income		427	641
AASB 101.85	Changes in inventories		(7,823)	(5,573)
AASB 101.85	Costs of material		(42,634)	(40,666)
AASB 101.85	Employee benefits expense	20	(114,190)	(108,673)
AASB 101.85	Change in fair value of investment property	12	310	175
AASB 101.85	Depreciation, amortisation and impairment of non-financial assets		(7,942)	(6,061)
AASB 101.85	Other expenses		(12,722	(12,285)
			21,619	**19,151**
AASB 101.82(c)	Share of profit from equity accounted investments		60	12
AASB 101.82(b)	Finance costs	24	(3,473)	(3,594)
AASB 101.85	Finance income	24	994	793
AASB 101.85	Other financial items	25	3,388	3,599
	Profit before tax		**22,588**	**19,961**
AASB 101.82(d)	Tax expense	26	(7,132)	(6,184)
	Profit for the year from continuing operations		**15,456**	**13,777**
AASB 101.82(e)	Loss for the year from discontinued operations	18	(9)	(325)
AASB 101.82(f)	**Profit for the year**		**15,447**	**13,452**
	Profit for the year attributable to:			
AASB 101.83(a)(i)	Non-controlling interest		121	116
AASB 101.83(a)(ii)	Owners of the parent		15,326	13,336
			15,447	**13,452**

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

		Notes	2012 $'000	2011 $'000
AASB 101.82(f)	**Profit for the year**		**15,447**	**13,452**
AASB 101.82(g)	**Other comprehensive income:**			
AASB 116.77(f)	Revaluation of land	10	303	-
	Cash flow hedging	13		
AASB 7.23(c-d)	- Current year gains (losses)		367	(47)
AASB 101.92	- Reclassification to profit or loss		260	(425)
	Available-for-sale financial assets	13		
AASB 7.20(a)(iii)	- Current year gains (losses)		113	35
AASB 101.92	- Reclassification to profit or loss		(50)	-
AASB 121.52(b)	Exchange differences on translating foreign operations		(664)	(341)
AASB 101.82(h)	Share of other comprehensive income of equity accounted investments		5	-
AASB 101.92	- Reclassification to profit or loss		(3)	-
AASB 101.90	Income tax relating to components of other comprehensive income	19	85	95
	Other comprehensive income for the tax year, net of tax		416	(683)
AASB 101.82(i)	**Total comprehensive income for the year**		**15,863**	**12,769**
	Total comprehensive income for the year attributable to:			
AASB 101.83(b)(i)	Non-controlling interest		121	116
AASB 101.83(b)(ii)	Owners of the parent		15,742	12,653
			15,863	**12,769**

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.

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

		Notes	2012	2011
AASB 101.51(c)				
AASB 101.51(d-e)			$'000	$'000
AASB 107.10	**Operating activities**			
	Profit before tax		22,588	19,961
	Adjustments		8,741	7,440
	Contributions to defined benefit plans		(1,186)	(1,273)
	Net changes in working capital		(2,133)	(1,092)
	Settling of derivative financial instruments		(33)	716
AASB 107.35	Taxes paid		(1,948)	(5,588)
	Net cash from continuing operations		26,029	20,164
AASB 5.33(c)	Net cash (used in) / from discontinued operations	18	(22)	811
	Net cash from operating activities		**26,007**	**20,975**
AASB 107.10	**Investing Activities**			
	Purchase of property, plant and equipment		(76)	(3,281)
	Proceeds from disposals of property, plant and equipment		86	-
	Purchase of other intangible assets		(3,666)	(3,313)
	Proceeds from disposals of other intangible assets		924	-
AASB 107.39	Acquisition of subsidiaries, net of cash	4	(15,714)	(12,076)
AASB 107.39	Proceeds from sale of subsidiaries, net of cash	4	3,117	-
	Proceeds from disposals and redemptions of non-derivative financial assets		228	132
AASB 107.31	Interest received	24	752	447
AASB 107.31	Dividends received	24	62	21
AASB 107.35	Taxes paid		(244)	(140)
	Net cash used in investing activities		**(14,531)**	**(18,210)**
AASB 107.10	**Financing Activities**			
	Proceeds from bank loans		1,441	-
	Repayment of bank loans		(3,778)	(649)
	Proceeds from issue of share capital		18,365	-
AASB 107.31	Interest paid	24	(1,035)	(907)
AASB 107.31	Dividends paid		(3,000)	-
	Net cash from / (used in) financing activities		**11,993**	**(1,556)**
AASB 107.45	**Net change in cash and cash equivalents**		23,469	1,209
	Cash and cash equivalents, beginning of year		11,259	10,007
AASB 107.28	Exchange differences on cash and cash equivalents		61	43
			34,789	11,259
	- Included in disposal group	18	-	(22)
AASB 107.45	**Cash and cash equivalents, end of year**	17	**34,789**	**11,237**