Example Special Purpose Financial Statements – Single Company

Grant Thornton CLEARR Example Pty Ltd

31 December 2012

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Introduction

Example Special Purpose Financial Statements 2012

Welcome to the December 2012 edition of *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 *Example Financial Statements* is based on the recent Grant Thornton International publication, however has been tailored to suit the Australian financial reporting and regulatory environment. This publication is intended to illustrate the 'look and feel' of Australian special purpose financial statements and to provide a realistic example of their presentation.

This publication is based on the activities and results of Grant Thornton CLEARR Example Pty Ltd (the Company) - a fictional IT entity that has been preparing special purpose financial statements for several years. The form and content of these financial statements depend of course on the activities and transactions of each entity. Our objective in preparing *Example 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 31 December 2012 financial statements including our December 2012 Updated Accounting Standards issued by the AASB/IASB but not yet applicable.

Using this publication

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

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

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

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

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CA 298(1)

Directors' Report

CA 299(2)(b)

Your directors present their report on Grant Thornton CLEARR Pty Ltd ('the Company' or 'Grant Thornton CLEARR') for the financial year ended 31 December 2012.

CA 300(1)(c)

Directors

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

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

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

CA 299(1)(ii)

Review of operations and financial results

A review of the operations of the Company during the financial year and the results of those operations found that the changes in market demand and competition have seen an increase in sales of 7.1% to $472,149,000. The profit of the Company for the financial year after providing for income tax amounted to $32,757,000 (2011: $21,849,000).

CA 299(1)(b)

Significant changes in state of affairs

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

CA 299(1)(c)

Principal activities

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

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

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

CA 299(1)(d)

Events arising since the end of the reporting period

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

CA 299(1)(e)
CA 299(3)

Future development, prospects and business strategies

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

CA 299(1)(f)

Environmental issues

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

CA 300(1)(a)

Dividends paid or recommended

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

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

CA 300(1)(e)

Options

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

CA 300(1)(g)

Indemnities given and insurance premiums paid to auditors and officers

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

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

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

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

CA 300(14)

Proceedings on behalf of Company

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

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

CA 298(1)(c)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9 and forms part of this directors' report.

Rounding of amounts

ASIC CO 98/100

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

CA 298(2)(a)

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

CA 298(2)(c)

Blake Smith
Director

CA 298(2)(b)

31 March 2013

Auditor's Independence Declaration

Grant Thornton Audit Pty Ltd
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To the Directors of Grant Thornton CLEARR Example Pty Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Grant Thornton CLEARR Example Pty Ltd for the year ended 31 December 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, 31 March 2013

Guidance Note: 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 20).

Statement of Comprehensive Income

for the year ended 31 December 2012

AASB 101.51(e)		Note	2012 $'000s	2011 $'000s
AASB 101.82(a)	Revenue	2	472,149	440,963
	Other income	3	742	192
	Changes in inventories of finished goods and work in progress		(3,523)	(782)
	Raw materials and consumables used		(137,078)	(131,118)
	Employee benefits expense		(227,169)	(221,724)
	Depreciation and amortisation expenses		(18,872)	(20,363)
	Other expenses		(37,397)	(32,844)
AASB 101.82(b)	Finance costs	4	(2,061)	(2,979)
	Profit before income tax		46,791	31,345
AASB 101.82(d)	Income tax expense	5	(14,034)	(9,496)
AASB 101.82(f)	**Profit for the year**		**32,757**	**21,849**
AASB 101.82(g)	**Other comprehensive income:**			
	Cash flow hedges			
	- transferred to profit or loss, net of tax		-	(2)
	- transferred to inventory, net of tax		(3)	(7)
	Gains on property revaluation		-	1,400
	Net change in the fair value of cash flow hedges taken to equity, net of tax		(7)	(18)
	Other comprehensive income for the year, net of income tax	**20**	(10)	1,373
AASB 101.82(i)	**Total comprehensive income for the year**		**32,747**	**23,222**

Guidance Note: 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 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).

Statement of Financial Position

as at 31 December 2012

		Note	2012 $'000	2011 $'000
AASB101.60, AASB101.66	**Current assets**			
AASB101.54(i)	Cash and cash equivalents	8	26,136	5,524
AASB101.54(h)	Trade and other receivables	9	14,336	13,178
AASB101.54(g)	Inventories	10	39,525	43,048
	Other current assets	11	3,180	2,788
	Total current assets		83,177	64,538
AASB101.60, AASB101.66	**Non-current assets**			
AASB101.54(h)	Trade and other receivables	9	145	145
	Other assets	11	1,260	1,445
AASB101.54(a)	Property, plant and equipment	12	127,253	134,014
AASB101.54(o)	Deferred tax assets	17	9,289	8,464
AASB101.54(c)	Intangible assets	13	1,741	2,116
	Total non-current assets		139,688	146,184
	Total assets		222,865	210,722
AASB101.60, AASB101.69	**Current liabilities**			
AASB101.54(k)	Trade and other payables	14	20,004	17,306
AASB101.54(m)	Financial liabilities	15	6,114	3,337
AASB101.54(m)	Derivative liabilities		122	107
AASB101.54(n)	Current tax liabilities	16	9,011	3,492
AASB101.54(l)	Employee benefits	17	8,352	8,143
AASB101.54(l)	Provisions	18	3,494	2,837
	Other liabilities		3,412	3,062
	Total current liabilities		50,509	38,284
AASB101.60, AASB101.69	**Non-current liabilities**			
AASB101.54(m)	Financial liabilities	15	8,690	38,338
AASB101.54(o)	Deferred tax liabilities	16	3,324	3,205
AASB101.54(l)	Employee benefits	17	11,149	10,854
AASB101.54(l)	Provisions	18	1,475	1,070
	Total non-current liabilities		24,638	53,467
	Total liabilities		75,147	91,751
	Net assets		147,718	118,971

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

Statement of Financial Position

as at 31 December 2012

		Note	2012 $'000	2011 $'000
	Equity			
AASB101.54(r)	Contributed equity	19	80,000	80,000
AASB101.54(r)	Reserves	20	4,465	4,475
	Retained earnings		63,253	34,496
	Total equity		**147,718**	**118,971**

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

Guidance Note: Statement of Changes in Equity

AASB 101.106 provides a list of items to be presented on the face of the statement of changes in equity.

Statement of Changes in Equity

for year ended 31 December 2012

		Note	Share Capital $'000	Retained earnings $'000	Reserves $'000	Total $'000
AASB101.106(d)	Balance at 1 January 2011		80,000	15,847	3,102	98,949
	Profit for the year		-	21,849	-	21,849
	Other comprehensive income	20	-	-	1,373	1,373
AASB101.106(a)	**Total comprehensive income for the year**		**-**	**21,849**	**1,373**	**23,222**
AASB101.106(d)(iii)	**Transactions with owners in their capacity as owners:**					
	Contributions of equity	19	-	-	-	-
AASB101.107	Dividends paid or provided for	7	-	(3,200)	-	(3,200)
	Sub-total		**-**	**18,649**	**1,373**	**20,022**
AASB101.106(d)	**Balance at 31 December 2011**		**80,000**	**34,496**	**4,475**	**118,971**
	Profit for the year		-	32,757	-	32,757
	Other comprehensive income	20	-	-	(10)	(10)
AASB101.106(a)	**Total comprehensive income for the year**		**-**	**32,757**	**(10)**	**32,747**
AASB101.106(d)(iii)	**Transactions with owners in their capacity as owners:**					
	Contributions of equity	19	-	-	-	-
AASB101.107	Dividends paid or provided for	7	-	(4,000)	-	(4,000)
	Sub-total		**-**	**28,757**	**(10)**	**28,747**
AASB101.106(d)	**Balance at 31 December 2012**		**80,000**	**63,253**	**4,465**	**147,718**

Guidance Note: Statement of Cash flows

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

Statement of Cash Flows

for year ended 31 December 2012

		Note	2012 $'000	2011 $'000
AASB107.10	**Cash flows from operating activities**			
AASB107.14(a)	Receipts from customers		516,249	484,305
AASB107.14(c-d)	Payments to suppliers and employees		(444,440)	(429,638)
AASB107.31	Interest received		1,084	540
AASB107.14(b)	Other revenue		391	48
AASB107.31	Finance costs		(1,976)	(2,917)
AASB107.14(f)	Income tax paid		(9,216)	(8,461)
	Net cash provided by operating activities	**23a**	**62,092**	**43,877**
AASB107.10	**Cash flows from investing activities**			
AASB107.16(b)	Proceeds from sale of property, plant and equipment		1,511	250
AASB107.16(a)	Purchase of property, plant and equipment		(12,275)	(3,048)
	Proceeds from release of security deposits		155	-
	Net cash (used in) investing activities		**(10,609)**	**(2,798)**
AASB107.10	**Cash flows from financing activities**			
AASB107.17(d)	Repayment of borrowings		(26,871)	(37,089)
AASB107.31	Dividends paid		(4,000)	(3,200)
	Net cash (used in) financing activities		**(30,871)**	**(40,289)**
	Net change in cash and cash equivalents held		20,612	790
	Cash and cash equivalents at beginning of financial year		5,524	4,734
	Cash and cash equivalents at end of financial year	**8**	**26,136**	**5,524**

Notes to the Financial Statements

AASB 1054.8-1054.9

1 Statement of significant accounting policies

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

AASB 1054.7

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations and the disclosure requirements of AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1054 *Australian Additional Disclosures*, AASB 1031 *Materiality* and AASB 1048 *Interpretation and Application of Standards*.

AASB 101. 138(a)

AASB 1054.8

Grant Thornton CLEARR Example Pty Ltd is a Company limited by shares, incorporated and domiciled in Australia. Grant Thornton CLEARR Example Ltd is a for-profit entity for the purpose of preparing the financial statements.

AASB 101. 117(a)

Basis of preparation

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

Adoption of new and revised accounting standards

AASB 101.117

The Company has adopted the following revisions and amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2012[1].

AASB 1054 *Australian Additional Disclosures and* AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*

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

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

1.1 Adoption of Improvements to AASB 1054 and AASB 2011-1

AASB 108.28 (a)
AASB 108.28 (c)

The AASB has issued AASB 1054 *Australian Additional Disclosures* and 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

1.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

AASB 108.30
AASB 108.31

Refer to the latest Grant Thornton TA Alert on accounting standards issued but not yet effective, available on our website (http://www.grantthornton.com.au/Publications/Tools-and-resources/Technical-publications/Local_Alerts.asp).

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

Significant accounting policies

a Income Tax

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

Current tax

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

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

Deferred tax

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

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

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

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

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

b Inventories

AASB 102.36(a)

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

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

c Property, Plant and Equipment

AASB 116.73(a)-(c)

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

Property

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

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

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

Plant and equipment

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

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

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

Depreciation

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

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

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

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

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

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

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

d Leases

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

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

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

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

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

e Financial Instruments

Initial recognition and measurement

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

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

Effective interest rate method

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

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

Classification and subsequent measurement

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial liabilities

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

Fair value

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

Impairment of financial assets

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

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

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

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

Derivative financial instruments

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

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

Cash flow hedges

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

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

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

Derecognition

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

f Impairment of Non-Financial Assets

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

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

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

g Intangible assets

AASB 138.118(a)-(b)

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

Research and development

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

Patents and trademarks

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

Software

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

h Employee Benefits

Wages and salaries and annual leave

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

Long service leave

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

Defined contribution superannuation expense

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

i Provisions

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

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

AASB 107.46

j Cash and Cash Equivalents

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

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

k Revenue

AASB 118.35(a)

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

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

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

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

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

l Borrowing Costs

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

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

m Goods and Services Tax (GST)

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

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

n Rounding of Amounts

ASIC Class Order 98/100
AASB 101.51(e)

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

o Significant management judgement in applying accounting policies

AASB 101.122

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

Revenue

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

Internally generated software and research costs

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

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

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

Leases

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

Deferred tax assets

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

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

AASB 101.125

p Estimation uncertainty

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

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

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

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

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

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

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

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

Provisions - Warranties

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

Provisions – Long service leave

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

2 Revenue

		Note	2012 $'000	2011 $'000
AASB 118.35(b)	**Operating activities**			
	Sale of goods		459,403	428,186
	Revenue from rendering of services		11,588	12,186
	Sales Revenue		**470,991**	**440,372**
	Other revenue			
	Interest		1,087	543
	Other revenue		71	48
	Other Revenue		**1,158**	**591**
	Total Revenue		**472,149**	**440,963**

3 Other income

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

4 Result for the year

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

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

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

5 Income Tax Expense

AASB 112.80

	Note	2012 $'000	2011 $'000
a The components of tax expense comprise:			
Current tax		14,838	9,602
Deferred tax		(701)	(106)
Under/(over) provision in respect of prior years		(103)	-
		14,034	**9,496**

6 Auditor's Remuneration

AASB 1054.10
AASB 1054.10a
AASB 1054.10b-1054.11

	2012 $	2011 $
Remuneration of the auditor of Company,		
Grant Thornton Audit Pty Ltd for:		
- auditing the financial statements	243,000	230,000
- taxation services	13,000	12,000
Total auditor's remuneration	**256,000**	**242,000**

7 Dividends

AASB 101.107

	2012 $'000	2011 $'000
Distributions paid		
Declared fully franked ordinary dividend of 5 (2011:4) cents per share franked at the tax rate of 30% (2011: 30%)	4,000	3,200

AASB 1054.13

The amount of the franking credits available for subsequent reporting periods are:		
Balance at the end of the reporting period	19,020	11,518
Franking credits that will arise from the payment of the amount of provision for income tax	9,011	3,492
	28,031	15,010

AASB 1054.14b

8 Cash and Cash Equivalents

AASB 107.45

Cash at bank and in hand	14,236	5,124
Short-term bank deposits	11,900	400
	26,136	**5,524**

9 Trade and Other Receivables

AASB 7.6

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

The other receivables are due to be repaid by 31 December 2014 and the effect of discounting is considered not to be material.

10 Inventories

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

11 Other Assets

Current		
Accrued revenue	2,005	1,850
Deferred expense	103	147
Prepayments	1,007	756
Security deposits	65	35
	3,180	**2,788**

Non Current		
Security deposits	1,260	1,445
	1,260	**1,445**

12 Property, Plant and Equipment

AASB 116.73(d)

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

The Company's land and buildings were revalued at 31 December 2010 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity.

AASB 116.77

13 Intangible Assets

AASB 138.118(c)

	Note	2012 $'000	2011 $'000
Development costs			
Cost		3,208	3,208
Accumulated impairment losses		-	-
Accumulated amortisation		(1,605)	(1,284)
Net carrying value		1,603	1,924
Patents & Trademarks			
Cost		320	320
Accumulated amortisation		(224)	(192)
Net carrying value		96	128
Software			
Cost		108	108
Accumulated amortisation		(66)	(44)
Net carrying value		42	64
Total intangible assets		**1,741**	**2,116**

14 Trade and Other Payables

AASB 7.6

Current		
Unsecured liabilities		
Trade payables	18,070	15,711
Sundry payables and accrued expenses	1,934	1,595
	20,004	**17,306**

15 Borrowings

AASB 7.8(f)

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

AASB 7.8(f)

Non-current			
Bank loan secured		6,867	34,901
Lease liability	21	1,823	3,437
Total non-current borrowings		**8,690**	**38,338**
Total borrowings		14,804	41,675

AASB 7.14(b)

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

AASB 7.14(a)

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

16 Taxation

	Note	2012 $'000	2011 $'000
Current		9,011	3,492
Income tax payable(receivable)		**9,011**	**3,492**

AASB 112.81(g)

	1 January 2012 $'000	Recognised in other comprehensive income $'000	Recognised in profit and loss $'000	31 December 2012 $'000
Deferred tax liabilities	3,205	-	119	**3,324**
Deferred tax assets	8,464	5	820	**9,289**

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

17 Employee Benefits

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

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

18 Provisions

AASB 101.79(b)(ii)	Current	3,494	2,837
AASB 101.79(a)(i) (iii)	Non-Current	1,475	1,070
		4,969	**3,907**

19 Issued Capital

80,000,000 (2011: 80,000,000) fully paid ordinary shares	80,000	80,000
	80,000	**80,000**

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

AASB 101.79(a)(v) Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

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

20 Reserves

AASB 101.106(d)(i)

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

		Revaluation Reserve	Cash flow hedges reserve	Total
AASB 101.106A	Balance at 1 January 2012	4,550	(75)	4,475
	Other comprehensive income for the year:			
	Cash flow hedges:			
AASB 7.23(c)	Current year gains	-	(11)	(11)
	Transfer to inventory	-	(4)	(4)
AASB 101.91(b)	Before tax	-	(15)	(15)
AASB 101.90	Tax benefit (expense)	-	5	5
	Net of tax	-	(10)	(10)
	Balance at 31 December 2012	**4,550**	**(85)**	**4,465**

a Asset Revaluation Reserve

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

b Hedging Reserve

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

21 Capital and Leasing Commitments

			Note	2012 $'000	2011 $'000
AASB 117.31(b)	a	**Finance Lease Commitments**			
		Payable – minimum lease payments			
		- not later than 12 months		1,841	1,692
		- between 12 months and five years		1,902	3,743
				3,743	5,435
		Less future finance charges		(306)	(661)
		Present value of minimum lease payments		**3,437**	**4,774**
	b	**Operating Lease Commitments**			
		Non-cancellable operating leases contracted for but not capitalised in the financial statements			
AASB 117.35(a)		Payable – minimum lease payments			
		- not later than 12 months		38,103	35,162
		- between 12 months and five years		168,275	155,287
		- greater than five years		269,683	314,258
				476,061	**504,707**
	c	**Capital Expenditure Commitments**			
		Capital expenditure commitments contracted for:			
AASB 116.74(c)		Plant and equipment purchases		1,165	1,145
AASB 116.74(b)		Capital expenditure projects		160	-
				1,325	**1,145**

22 Contingent assets and Contingent Liabilities

AASB 101.114 (d)(i)

The Company has no contingent assets.

AASB 137.89
AASB 137.86

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

AASB 137.92

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

23 Cash Flow Information

AASB 1054.16

	Note	2012 $'000	2011 $'000
d Reconciliation of Cash Flow from Operations with Profit after Income Tax			
Profit after income tax		32,757	21,849
Non-cash flows in profit:			
- Depreciation & amortisation		18,872	20,363
- Net gain on disposal of property, plant and equipment		(422)	(192)
- Unwinding of discounts on provisions		85	62
Changes in assets and liabilities			
- Increase in trade and other receivables		(1,158)	(114)
- Increase in other assets		(362)	(116)
- Decrease in inventories		3,523	782
- (Increase)/decrease in trade and other payables		2,698	(457)
- Increase/(decrease) in income taxes payable		5,519	785
- (Increase)/decrease in deferred taxes payable		(701)	250
- Increase/(decrease) in employee benefits		504	283
- Increase/(decrease) in provisions		427	249
- Increase/(decrease) in other operating liabilities		350	113
Net cash provided by operating activities		**62,092**	**43,877**

AASB 107.43

e Non-cash Financing and Investing Activities

Property, plant and equipment:

During the financial year, the Company acquired plant and equipment with an aggregate fair value of $nil (2011: $2,334,000) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

24 Events After the Reporting Date

AASB 110.21

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

25 Company Details

AASB 101.138(a)

The registered office of the Company is:

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

The principal place of business is:

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

Directors' Declaration

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

The directors of the Company declare that:

1 The financial statements and notes, as set out on pages 11 to 39, are in accordance with the *Corporations Act 2001*:

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

CA 295(4)(d)(ii) b give a true and fair view of the financial position as at 31 December 2012 and of the performance for the year ended on that date of the Company in accordance with the accounting policies described in Note 1 to the financial statements; and

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

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

CA 295(5)(c) Director ....

Blake Smith

CA 295(5)(b) Dated this 31st day of March 2013

Independent Auditor's Report

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

We have audited the accompanying financial report, being a special purpose financial report, of Grant Thornton CLEARR Example Pty Ltd (the "Company"), which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, notes comprising a summary of significant accounting policies, and other explanatory information and the directors' declaration.

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, and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 have 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 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 Example Pty Ltd, would be in the same terms if given to the directors as at the time of the auditor's report.

Auditor's opinion

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

a giving a true and fair view of the Company'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 to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Basis of accounting

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A B Partner
Partner - Audit & Assurance

Sydney, 31 March 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 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 should reflect the actual line items presented in the FOE income statement.

Income Statement

for the year ended 31 December 2012

		Note	2012 $'000	2011 $'000
	Sales revenue	2	472,149	440,963
AASB 101.82(a)	Cost of sales		(284,451)	(277,984)
	Gross profit		187,698	162,979
	Other revenue	2	1,158	591
	Other income	3	742	192
	Distribution expenses		(37,772)	(35,277)
	Marketing expenses		(28,329)	(26,458)
	Occupancy expenses		(36,798)	(34,874)
	Administration expenses		(36,689)	(32,238)
AASB 101.82(b)	Finance costs	4	(2,061)	(2,979)
	Profit before income tax		46,791	31,345
AASB 101.82(d)	Income tax expense	5	(14,034)	(9,496)
AASB 101.82(f)	**Profit for the year**		**32,757**	**21,849**

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

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

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

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

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

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

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

Statement of Comprehensive Income

for the year ended 31 December 2012

		Notes	2012 $'000	2011 $'000
AASB 101.82(f)	**Profit for the year**		32,757	21,849
AASB 101.82(g)	**Other comprehensive income:**			
	Revaluation of land, net of tax		-	1400
	Cash flow hedging			
	- Transferred to inventory, net of tax		(3)	(7)
AASB 101.92	- Reclassification to profit or loss, net of tax		-	(2)
	- net change in the fair value of cash flow hedges taken to equity, net of tax		(7)	(18)
	Other comprehensive income for the tax year, net of tax		(10)	1,373
AASB 101.82(i)	**Total comprehensive income for the year**		**32,747**	**23,222**

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

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

a the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or

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

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

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

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

Statement of Cash Flows

for the year ended 31 December 2012

		Notes	2012	2011
AASB 101.51(c)				
AASB 101.51(d-e)			$'000	$'000
AASB 107.10	**Operating Activities**			
	Profit before tax		46,791	31,345
	Adjustments for:			
	Depreciation and amortisation		18,872	20,363
	Net gain on disposal of property, plant & equipment		(422)	(192)
	Unwinding of discounts on provisions		85	62
	Net changes in working capital		7,958	3,677
	Cash generated by operations		73,284	55,255
AASB 101.31	Interest paid		(1,976)	(2,917)
AASB 107.35	Taxes paid		(9,216)	(8,461)
	Net cash from operating activities		**62,092**	**43,877**
AASB 107.10	**Investing Activities**			
AASB 107.16(a)	Purchase of property, plant and equipment		(12,275)	(3,048)
AASB 107.16(b)	Proceeds from disposals of property, plant and equipment		1,511	250
	Proceeds from release of security deposits		155	-
	Net cash used in investigating activities		**(10,609)**	**(2,798)**
AASB 107.10	**Financing Activities**			
AASB 107.17(d) AASB 107.31	Repayment of bank loans		(26,871)	(37,089)
	Dividends paid	7	(4,000)	(3,200)
AASB 107.45	**Net cash used in financing activities**		**(30,871)**	**(40,289)**
AASB 107.45	**Net change in cash and cash equivalents**		20,612	790
	Cash and cash equivalents, beginning of year		5,524	4,734
	Cash and cash equivalents, end of year	8	**26,136**	**5,524**