Example listed public financial statements

Grant Thornton CLEARR Example Ltd
For the year ended 31 December 2017

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Foreword

Welcome to the December 2017 edition of the example listed public financial statements. This set of illustrative financial statements is one of many prepared by Grant Thornton to assist you in preparing your own financial statements.

This publication is designed to illustrate the financial statements for a listed public company in line with Australian financial reporting and regulatory requirements. It is based on the activities and results of a fictitious ASX listed IT entity, Grant Thornton CLEARR Example Ltd, which prepares Australian general purpose financial statements.

The period ending 31 December 2017 marks the end of relative calm that businesses in Australia have enjoyed in recent years. With two major new accounting standards on revenue recognition and financial instruments kicking in from 1 January 2018 and the new leases and income of not-for-profits standards coming into effect from 1 January 2019, the next couple of years represent enormous change and challenge for Australian entities.

The global push for increasing tax transparency is also having a significant impact on Australian financial reporting with Significant Global Entities (entities within a group with a consolidated global income of $1 billion or more) now being required to prepare and lodge general purpose financial statements with the Australian Taxation Office (ATO) which will then be put on public record by the Australian Securities and Investments Commission. Furthermore, in July 2017 the Australian Accounting Standards Board published Interpretation 23 *Uncertainty over Income Tax Treatments* which requires uncertainties relating to income tax treatments to be reflected in income tax accounting and disclosure of such uncertainties as significant accounting judgements and estimates. All these changes add to the already complex financial reporting requirements and it is critical that entities take a proactive approach to navigate through this challenging period.

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.

Likewise, as a reference tool, this publication illustrates disclosures for many common scenarios without removing disclosures based on materiality. We strongly encourage businesses to get rid of immaterial disclosures and tailor disclosures to their specific circumstances.

We have reviewed and updated these financial statements to reflect changes in Australian Accounting Standards that are effective for the year ending 31 December 2017. However, no account has been taken of any new developments published after 28 October 2017. The Grant Thornton website contains any updates that are relevant for 31 December 2017 financial statements, including our Technical Accounting Alerts on "What's new for December 2017" and "Accounting standards issued but not yet effective for December 2017".

We trust this publication will help you work through the upcoming December 2017 reporting season. We welcome your feedback on the format and content of this publication. Please contact us on national.assurance.quality@au.gt.com or get in touch with your local Grant Thornton representative to let us know your thoughts.

Matt Adam-Smith
National Head of Audit & Assurance
Grant Thornton Australia Limited
November 2017

Directors' Report

The Directors of Grant Thornton CLEARR Example Ltd (Grant Thornton CLEARR) present their report[1] 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 2017.

CA 300(1)(c)

Directors' details

The following persons were Directors of Grant Thornton CLEARR during or since the end of the financial year:

CA 300(10)(a)
CA 300 (11)(a),(c),(e)

Mr Blake Smith
B. Eng

Managing Director
Director since 2010

Mr Smith has substantial knowledge of manufacturing processes and retail through executive roles in Australia, New Zealand and the United Kingdom where he has been responsible for implementing best practice systems across a range of industries.

Other current Directorships:
None

Previous Directorships (last 3 years):
Phoenix Limited
(Appointed 8 February 2015;
Resigned 30 May 2016)

Interests in shares:
403,565 shares

Interest in options:
None

Ms Beth King
CA, MBA

Independent Non-Executive Director
Audit and Risk Committee Chair and Member of the Nomination and Remuneration Committee
Director since 2008

Beth is a Chartered Accountant and brings more than 20 years' broad financial and commercial experience, both local and international to Grant Thornton CLEARR.

Other current Directorships:
Sapphire Mine Limited
(Appointed 15 December 2014)

Previous Directorships (last 3 years):
Balcombe Holdings Limited
(Appointed 1 September 2012;
Resigned 17 March 2016)

Interests in shares:
21,203 shares

Interest in options:
None

1 For a summary of Directors' Report requirements relating to each type of entity, refer to Appendix E: Summary of Directors' Report Requirements.

Mr Simon Murphy
LLB (Hons)

Independent Non-Executive Director Independent Chairman / Nomination and Remuneration Committee Chair and Member of Audit and Risk Committee
Director since 2014

Simon has broad international corporate experience as Chief Executive Officer (CEO) of an ASX Top 100 Company with extensive operations in North America and Europe and diverse trading relationships in Asia. Simon is a qualified lawyer in Australia.

Other current Directorships:
Holden Limited
(Appointed 21 September 2013)
Fremont Trading Limited
(Appointed 10 May 2015)

Previous Directorships (last 3 years):
None

Interests in shares:
None

Interest in options:
None

Mrs Alison French
BA (Hons)

Alison has significant international experience over 25 years in the information technology sector, including senior executive positions based in Australia, New Zealand and Asia plus regional responsibilities over many years throughout Africa and the Middle East.

Other current Directorships:
None

Previous Directorships (last 3 years):
None

Interests in shares:
215,123 shares

Interest in options:
41,082

Chief Executive Officer
Director since 2013

Mr William Middleton
BEc, FCA

Appointed 28 November 2017
Independent Non-Executive Director
Member of the Nomination and Remuneration Committee and member of Audit and Risk Committee

William is the Principal of WM Associations, a financial consulting and advisory firm with a range of clients operating in the fast moving consumer goods industries.

Other current Directorships:
Fisher Group Limited
(Appointed 23 April 2012)
Luxor Resources Limited
(Appointed 30 September 2013)
Leyton Supplies Limited
(Appointed 18 August 2014)

Previous Directorships (last 3 years):
Sketches Group Limited
(Appointed 15 September 2015;
Resigned 17 February 2017)

Interests in shares:
10,000 shares

Interest in options:
None

Company Secretary

CA 300(10)(d)

Nick Morgan is a Chartered Accountant and the Group Chief Financial Officer. Nick has held senior positions with a number of professional accounting firms and has a Degree in Commerce. Nick has been the Company Secretary of Grant Thornton CLEARR for four years.

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)
CA 299A(1)(a) & (b)

Review of operations and financial results

The Group is a key participant in the IT and telecommunications services market, holding a market share of approximately 35%. While the Group's Services and Retail segments have a diverse customer base, 12% of the Consulting segment's revenues depended on a single customer (2016: 11%).

In October 2017, the Group announced that it had been the target of an unsolicited takeover offer. The Directors believed that this offer significantly undervalued the Group. The offer caused some disruption, diverting management time from daily operations, and the Group incurred one-off costs of approximately $0.2m in relation to the offer. The offer has since been withdrawn.

As part of our cost reduction program, it was necessary to reduce our service staff numbers this year from 75 to 60. Redundancy payments totalling $1.8m explain the higher employee benefit expenses this year.

The operating result of the Group has increased to $15.4m (2016: $13.2m); this is mainly due to the cost control measures implemented during the year which have allowed increased revenue with a lower proportionate cost base.

Revenue from Retail operations was up on last year (by 17%), which is very encouraging and higher than anticipated last year (our expectation was 12%). The key reason for this increase was the expansion of our distribution networks and upgrading of our online sales portal. Revenue growth in our Consulting and Service businesses was steady, which was in line with our expectations last year. This steady growth reflects the current global economic uncertainty and the cost reduction measures undertaken by businesses in the market place.

Earnings per share have increased during the year to $1.22 (2016: $1.11) which has allowed both an interim and final dividend to be declared.

Additional capital raising activities were undertaken during the year which raised $16.7m and allowed the Group to fund the Goodtech Ltd acquisition via a cash settlement as well as positioning the Group in a strong cash position for 2018 to allow for future acquisitions, if appropriate opportunities arise.

The Group's net assets increased by 63% compared to the previous year, which is largely due to the Group's capital raising activities.

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.

The Chairman's report contains further information on the detailed operations of the Group during the year.

CA 299(1)(b)

Significant changes in the state of affairs

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

1 Acquisition of Goodtech Ltd:

   – on 31 March 2017, the Group acquired 100% of the equity instruments of Goodtech Ltd (Goodtech), a Brisbane 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.

2 Disposal of Highstreet Limited:

   – on 30 September 2017, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Limited. The subsidiary was classified as held for sale in the 2015 financial statements. There was a loss on disposal of $29,000.

3 Issue of share capital:

   – on 30 September 2017, 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.

Dividends

CA 300(1)(a) In respect of the current year, a fully franked interim dividend of $3,000,000 (25c per share) was paid on 30 September 2017 (2016: $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 2018 (2016: $Nil).

Events arising since the end of the reporting period

CA 299(1)(d) 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),
CA 299A(1)(c)

Likely developments, business strategies and prospects

Based on the expected growth in online sales, as predicted by a number of prominent economic commentators, and the demand from customers for the latest technology, we expect significant increase in online sales for next few years. We have a number of strategies to benefit from this growth, including:

- upgrading our online sales portal
- further expanding our distribution networks
- further reducing manufacturing costs; and
- a strong marketing campaign

We have instigated an urgent upgrade of the Group's website and online sales portal. We have allocated $3.8m for this upgrade, which will mostly be funded from retained earnings. We expect the upgrade to be completed in the next 12 months, to be followed by a strong marketing campaign.

We are continually considering ways of reducing the Group's cost of manufacturing. The Directors are giving consideration to a major upgrade of production-line technology to improve efficiency. The Directors expect to receive the results of a feasibility study within the next six months, and the various options will be considered at that time.

Looking ahead, the Group is currently engaged in a competitive tender process to supply the Australian government $100m IT and telecommunication systems and offer integration and maintenance services over the next 10 years. If successful, manufacture and supply are expected to commence next year, significantly affecting future revenues. Given both the competitive nature of the tender, and the fact that the process is ongoing, we have utilised the exemption in s299A(3) and have not disclosed further details about the possible impact of the potential contract on the Group's business strategy and future prospects. We are relying on the exemption on the basis that disclosure of the potential financial impact on the Group arising from the outcome of the tender process is premature, and would be likely to result in other tender competitors gaining a commercial advantage, which would jeopardise the Group's prospects.

The material business risks faced by the Group that are likely to have an effect on the financial prospects of the Group, and how the Group manages these risks include:

1. **Reduction in demand from overseas markets:** given our reliance on the United Kingdom, USA and other overseas markets, this could have a significant impact on our financial results. Based on the views of prominent economic commentators, we do not anticipate any significant slowdown in these overseas economies for the next few years, but are currently investigating the option of expanding our sales into other emerging economies, such as China and India; and
2. **Technological obsolescence:** given the rapidly changing environment in which the Group operates, this could have a very significant impact on our financial results. We address this risk through investment in research and development and by constantly monitoring the market. With competitors constantly seeking to enter our market with improved designs, we see this risk increasing in the future.

CA 300(10)(b)
CA 300(10)(c)

Directors' meetings

The number of Directors' Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

Director's name	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Blake Smith	12	12	-	-	-	-
Beth King	12	12	4	4	1	1
Simon Murphy	12	11	4	4	1	1
Alison French	12	12	-	-	-	-
William Middleton	2	2	1	1	-*	-

* There have been no meetings of the Nomination and Remuneration Committee since the date of William Middleton's appointment to the Committee.

Where:

- **column A** is the number of meetings the Director was entitled to attend
- **column B** is the number of meetings the Director attended

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 2013	5 January 2018	5.74	90,749
1 January 2014	31 December 2018	6.24	29,175
1 February 2017	31 December 2021	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 Program (described in Note 22.2 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 January 2015	6.24	270,000

CA 300A(1)

Remuneration Report (audited)

The Directors of Grant Thornton CLEARR Example Ltd (the Group) present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

a Principles used to determine the nature and amount of remuneration

b Details of remuneration

c Service agreements

d Share-based remuneration; and

e Other information

CA 300A(1)(a)

a Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent

Grant Thornton CLEARR has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a Nomination and Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The Committee has engaged independent remuneration consultants to provide any necessary information to assist in the discharge of its responsibilities (refer to the disclosures below).

The remuneration structure that has been adopted by the Group consists of the following components:

- fixed remuneration being annual salary; and
- short term incentives, being employee share schemes and bonuses

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

The payment of bonuses, share options and other incentive payments are reviewed by the Nomination and Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria.

CA 300A(1)(ba)
Corp Regs
2M 3.03(1)(Item 12(c))

Short Term Incentive (STI)

Grant Thornton CLEARR performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the Company values.

The performance measures are set annually after consultation with the Directors and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The Key Performance Indicators (KPIs) for the Executive Team are summarised as follows:

Performance areas

- **financial:** operating profit and earnings per share; and
- **non-financial:** strategic goals set by each individual business unit based on job descriptions

The STI Program incorporates both cash and share-based components for the Executive Team and other employees.

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs.

CA 300A(1)(h)

Use of remuneration consultants

Grant Thornton CLEARR Example Ltd Nomination and Remuneration Committee employed the services of ABC Remuneration Consulting Pty Ltd to review and to provide recommendations in respect of the amount and elements of executive remuneration, including short-term and long-term incentive plan design.

Under the terms of the engagement, ABC Remuneration Consulting Pty Ltd provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid $43,400 for these services.

ABC Remuneration Consulting Pty Ltd has confirmed that the above recommendations have been made free from undue influence by members of the Group's key management personnel.

ABC Remuneration Consulting Pty Ltd was engaged by, and reported directly to, the Chair of the Nomination and Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Nomination and Remuneration Committee under delegated authority on behalf of the Board.

The report containing the remuneration recommendations was provided by ABC Remuneration Consulting Pty Ltd directly to the chair of the Nomination and Remuneration Committee.

ABC Remuneration Consulting Pty Ltd was permitted to speak to management throughout the engagement to understand Company processes, practices and other business issues and obtain management perspectives. However, ABC Remuneration Consulting Pty Ltd was not permitted to provide any advice or recommendations to members of management before advice or recommendations was given to members of the Nomination and Remuneration Committee and not unless ABC Remuneration Consulting Pty Ltd had approval to do so from members of the Nomination and Remuneration Committee.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

In addition to providing remuneration recommendations, ABC Remuneration Consulting Pty Ltd also provided advice on other aspects of the remuneration of the Group's employees. For these services ABC Remuneration Consulting Pty Ltd was paid a total of $26,200.

Voting and comments made at the Company's last Annual General Meeting

CA 300A(1)(g)

Grant Thornton CLEARR Example Ltd received 92% of 'yes' votes on its Remuneration Report for the financial year ending 31 December 2016. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

CA 300A(1)(b)

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

Item	2017	2016	2015	2014	2013
EPS (cents)	1.22	1.11	1.10	1.12	1.02
Dividends (cents per share)	75	-	35	10	5
Net profit / loss ($'000)	15,447	13,452	10,368	8,941	6,739
Share price ($)	11.36	8.52	7.83	6.00	5.75

b Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (KMP) of Grant Thornton CLEARR are shown in the table below:

Director and other Key Management Personnel		Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments		
Employee	Year	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options	Total	Performance based % of remuneration
Executive Directors										
Blake Smith Managing Director	2017 2016	$459,000 $435,000	$60,000 $15,000	$70,000 $60,000	$75,000 $70,000	$21,000 $20,000	- -	- -	$685,000 $600,000	8.8% 2.5%
Alison French Director and CEO	2017 2016	$381,000 $363,000	$70,000 $15,000	$75,000 $65,000	$58,000 $53,000	$19,000 $17,000	- -	$8,000 $50,000	$611,000 $563,000	12.8% 11.5%
Non-executive Directors										
Beth King Independent	2017 2016	$60,000 $55,000	- -	- -	$10,000 $10,000	- -	- -	- -	$70,000 $65,000	0.0% 0.0%
Simon Murphy Independent	2017 2016	$80,000 $75,000	- -	- -	$10,000 $10,000	- -	- -	- -	$90,000 $85,000	0.0% 0.0%
William Middleton Independent[2]	2017 2016	$15,000 -	- -	- -	$1,350 -	- -	- -	- -	$16,350 -	0.0% -

[2] William Middleton – Appointed 28 May 2017

Director and other Key Management Personnel		Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments		
Employee	Year	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options	Total	Performance based % of remuneration
Other Key Management Personnel										
Louise Johnston General Manager, Sales	2017 2016	$169,000 $181,000	$40,000 $30,000	$45,000 $35,000	$31,000 $31,000	$10,000 $9,000	- -	$20,000 $23,000	$336,000 $309,000	17.9% 17.2%
Nick Morgan – CFO / Company Secretary	2017 2016	$266,000 $266,000	$20,000 -	- -	$30,000 $30,000	$14,000 $14,000	- -	$25,000 $27,000	$355,000 $337,000	12.7% 8.0%
John Harbour – General Manager, Manufacturing[3]	2017 2016	$162,000 $195,000	- $20,000	- -	$23,500 $23,500	$8,000 $10,000	$100,000 -	- $25,000	$293,500 $273,500	- 16.5%
Andrew West – General Manager, Manufacturing[4]	2017 2016	$33,000 -	- -	- -	$3,150 -	$2,000 -	- -	- -	$38,150 -	- -
Eric Stevens Chief Operating Officer	2017 2016	$266,000 $257,000	$25,000 $10,000	$30,000 $30,000	$55,000 $45,000	$14,000 $13,000	- -	$25,000 $25,000	$415,000 $380,000	12.0% 9.2%
Kendra Thompson Chief Information Officer	2017 2016	$242,000 $223,000	$20,000 $10,000	- -	$40,000 $38,500	$13,000 $11,000	- -	$25,000 $25,000	$340,000 $307,500	13.2% 11.4%
2017 Total	**2017**	**$2,155,000**	**$235,000**	**$220,000**	**$337,000**	**$100,000**	**$100,000**	**$103,000**	**$3,250,000**	**-**
2016 Total	**2016**	**$2,049,000**	**$100,000**	**$190,000**	**$311,000**	**$95,000**	**-**	**$175,000**	**$2,920,000**	**-**

3 John Harbour – Resigned 31 March 2017
4 Andrew West – Appointed 1 May 2017

CA 300A(1)(e)(i),(vi)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Employee	Fixed remuneration	At risk: Short Term Incentives (STI)	At risk: options
Executive Directors			
Blake Smith	91%	9%	-
Alison French	88%	11%	1%
Other Key Management Personnel			
Louise Johnston	82%	12%	6%
Nick Morgan	83%	10%	7%
John Harbour	100%	-	-
Andrew West	100%	-	-
Eric Stevens	88%	6%	6%
Kendra Thompson	87%	6%	7%

Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

CA 300(11d) /
Corp Regs 2M 3.03(1)

CA 300A(1e(vii))

c Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Employee	Base salary	Term of agreement	Notice period
Blake Smith	$480,000	Unspecified	Six months
Alison French	$400,000	Unspecified	Six months
Louise Johnston	$200,000	Unspecified	Three months
Andrew West	$210,000	Unspecified	Three months
Eric Stevens	$280,000	Unspecified	Three months
Kendra Thompson	$255,000	Unspecified	Two months
Nick Morgan	$280,000	Unspecified	Two months

d Share-based remuneration

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

CA 300A(1ba)
Corp Regs
2M 3.03(1)(item 12(c))

Options granted to the Executive Team are under the Star Program. Options will vest subject to the achievement of the following total shareholder return performance condition.

If the Company's total shareholder return (representing dividend per share plus increase in the share price) is in the top quartile of companies in the ASX 200 Index (the Index) over the vesting period, the full number of options will vest.

For performance between median and upper quartile, vesting will occur on a straight-line basis so that 25% of the options vest for median performance and full vesting occurs for top quartile performance.

No options will vest if the total shareholder return is below the median in the Index. In addition, persons eligible to participate in this programme have to be employed until the end of the arranged 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.

Options granted under the Star Program carry no dividends or voting rights and when exercisable. Each option is convertible into one ordinary share.

CA 300(1d) / CA 300(5)

Details of options over ordinary shares in the Company that were granted as remuneration to each key management personnel are set out in the following page.

Non-Executive Directors are not entitled to participate in the Star Program.

Corp Regs 2M 3.03(1) (Item 15) / CA 300A (1e(ii),(iv),(v),(vi))

Employee	Number granted	Grant date	Value per option at grant date ($)	Value of options at grant date ($)	Number vested	Exercise price ($)	Vesting and first exercise date	Last exercise date
Blake Smith	-	-	-	-	-	-	-	-
Alison French	3,582	1 August 2017	6.70	23,999	-	7.61	1 February 2020	31 July 2020
Louise Johnston	8,955	1 August 2017	6.70	59,999	-	7.61	1 February 2020	31 July 2020
Andrew West	-	-	-	-	-	-	-	-
Eric Stevens	11,194	1 August 2017	6.70	75,000	-	7.61	1 February 2020	31 July 2020
Kendra Thompson	11,194	1 August 2017	6.70	75,000	-	7.61	1 February 2020	31 July 2020
Nick Morgan	11,194	1 August 2017	6.70	75,000	-	7.61	1 February 2020	31 July 2020

The options were provided at no cost to the recipients. All options expire on the earlier of their expiry date or termination of the individual's employment.

CA 300A (1e(iii))

Employee	Date of exercise of options	Number of ordinary shares issued on exercise of options	Value of options at exercise date ($)*
Alison French	21 September 2017	37,500	262,500
Louise Johnston	21 September 2017	10,000	70,000
Nick Morgan	21 September 2017	20,250	141,750
John Harbour	21 September 2017	18,750	131,250
Eric Stevens	21 September 2017	12,750	89,250
Kendra Thompson	21 September 2017	18,750	131,250

* The value at the date of exercise of options that were granted as part of remuneration and exercised during the year has been determined as the intrinsic value of the options at the exercise date.

CA 300A (1)(e)(iv))

Employee	Number of options forfeited (lapsed) during the year	Financial year in which those options were granted
Blake Smith	-	2016
Blake Smith	-	2015
Louise Johnston	-	2015
Nick Morgan	-	2014

e Bonuses included in remuneration

Corp Regs 2M 3.03(1) (Item 12(e)-(g))

Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years.

Employee	Included in remuneration ($)	Percentage vested during the year	Percentage forfeited during the year
Executive Directors			
Blake Smith	60,000	75%	25%
Alison French	70,000	100%	-
Other Key Management Personnel			
Louise Johnston	40,000	80%	20%
Nick Morgan	20,000	80%	20%
Eric Stevens	25,000	83%	17%
Kendra Thompson	20,000	67%	33%

f Other information

Options held by key management personnel

Corp Regs 2M 3.03(1) (Item 17(a)-(h))

The number of options to acquire shares in the Company held during the 2017 reporting period by each of the key management personnel of the Group; including their related parties are set out below. No options are held by Directors, except for Alison French.

Employee	Balance at start of year end	Granted as remuneration	Exercised	Other changes	Vested and exercisable at the end of the reporting period	Vested and un-exercisable at the end of the reporting period
Year ended 31 December 2017						
A. French	37,500	3,582	(37,500)	-	-	3,582
L. Johnston	17,250	8,955	(10,000)	-	7,250	8,955
N. Morgan	20,250	11,194	(20,250)	-	-	11,194
J. Harbour *	18,750	-	(18,750)	-	-	-
E. Stevens	18,750	11,194	(12,750)	-	6,000	11,194
K. Thompson	18,750	11,194	(18,750)	-	-	11,194
	131,250	**46,119**	**(118,000)**	**-**	**13,250**	**46,119**

* J. Harbour resigned 30 October 2017

Shares held by key management personnel

Corp Regs 2M 3.03(1) (Item 18(a)-(e))

The number of ordinary shares in the Company during the 2017 reporting period held by each of the Group's key management personnel, including their related parties, is set out below:

Employee	Balance at start of year	Granted as remuneration	Received on exercise	Other changes	Held at the end of reporting period
Year ended 31 December 2017					
B Smith	403,565	-	-	-	403,565
B King	21,203	-	-	-	21,203
A French	177,623	-	37,500	-	215,123
W Middleton	-	-	-	10,000	10,000
N Morgan	24,000	-	10,000	-	34,000
J Harbour *	41,000	-	20,250	-	61,250
E Stevens	15,851	-	18,750	-	34,601
K Thompson	12,554	-	12,750	-	25,304
	695,796	**-**	**99,250**	**10,000**	**805,046**

* J Harbour resigned 30 October 2017

None of the shares included in the table above are held nominally by key management personnel.

Loans to key management personnel

Corp Regs 2M 3.03(1) (Item 20(a),(b),(c),(e),(f))

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. The table below provides aggregate information relating to Group's loans to key management personnel during the year:

	2017 $
Balance at the start of the year	1,000
Interest paid and payable for the year	-
Interest not charged	3,200
Balance at the end of the year	**1,000**

Corp Regs 2M 3.03(1) (Item 20(d))

The Group does not have an allowance account for receivables relating to outstanding loans and has not recognised any expense for impaired receivables during reporting period.

Corp Regs 2M 3.03(1) (Item 20(g))

The loans to key management personnel are generally for a period of two years and are repayable on quarterly instalments. These loans are unsecured and interest free. The amounts of interest not charged in the table above represents the amount of interest that would have been charged on an arm's length basis.

Corp Regs 2M 3.03(1) (Item 21)

There were no individuals with loans above $100,000 during the financial year.

Other transactions with key management personnel

Corp Regs 2M 3.03(1) (Item 22)

During 2017, the Group used the legal services of one Company Director (Mr William Middleton) and the law firm over which he exercises significant influence. The amounts billed related to this legal service amounted to $21,000 (2016: $Nil), based on normal market rates and was fully paid as of the reporting date.

End of audited Remuneration Report.

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.

Indemnities given to, and insurance premiums paid for, auditors and officers

CA 300(1)(g),(8)(b),(9)(a),(f)

Insurance of 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.

CA 300(9)(c)

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 insurance policies are 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 of the Group against a liability incurred as such by an officer.

Indemnities given to, and insurance premiums paid for, auditors and officers

Indemnity of auditors

CA 300(1)(g),(8)(b),(9)(a),(f)

The Group has agreed to indemnify its auditors, Grant Thornton, to the extent permitted by law, against any claim by a third party arising from the Group's breach of its agreement. The indemnity requires the Group to meet the full amount of any such liabilities including a reasonable amount of legal costs.

CA 300(11B)/(11C)

Non-audit services

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 27 to the financial statements.

CA 307C

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 18 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 Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191

Rounding of amounts

Grant Thornton CLEARR is a type of Company referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000, or in certain cases, to the nearest dollar.

CA 298(2a)

Signed in accordance with a resolution of the Directors

CA 298(2c)

Blake Smith
Director

CA 298(2b)

28 February 2018

Auditor's Independence Declaration

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Auditor's Independence Declaration
to the Directors of Grant Thornton CLEARR Example 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 Ltd for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1 No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2 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 2018

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Grant Thornton CLEARR Example Ltd and its Controlled Entities (the Group) have adopted the third edition of the *Corporate Governance Principles and Recommendations*[5] which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 31 December 2017 is dated as at 31 December 2017 and was approved by the Board on 15 January 2018. The Corporate Governance Statement is available on Grant Thornton CLEARR's website at www.gtclearr.com.au/corporategovernance.

[5] The third edition of ASX *Corporate Governance Principles and Recommendations* requires an entity's Corporate Governance Statement (CGS) to state the date it is current (which must be the entity's balance date or later) and state that it has been approved by the Board. The third edition also allows an entity to include its CGS either on its website or in the annual report. Where the website presentation is chosen, the annual report needs to include the website address of where the CGS can be found, and a copy of CGS needs to be lodged with the ASX at the same time the annual report is lodged. In the interest of streamlining the annual report, we have chosen the website presentation of CGS in this annual report.

Guidance Note: Consolidated Statement of Profit or Loss and Other Comprehensive Income

AASB 101 *Presentation of Financial Statements* permits the statement of profit or loss and other comprehensive income to be presented:

- **in a single statement:** of profit or loss and other comprehensive income, or
- **in two statements:** a statement of profit or loss and a statement of comprehensive income.

The **Example Financial Statements** illustrate a statement of profit or loss and other comprehensive (i.e., a single statement). A two statement presentation is shown in Appendix B.

This statement of profit or loss and other 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.

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 profit or loss and other 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 profit or loss and other 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 24.2).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

		Notes	2017 $'000	2016 $'000
AASB 101.51(c)				
AASB 101.51(d-e)	Revenue	5	205,793	191,228
AASB 101.85	Other income		427	641
AASB 101.85	Changes in inventories		(7,923)	(5,623)
AASB 101.85	Costs of materials		(42,434)	(40,485)
AASB 101.85	Employee benefits expense	22	(113,809)	(109,515)
AASB 101.85	Change in fair value of investment property	16	310	175
AASB 101.85	Depreciation of property, plant and equipment	15	(2,735)	(3,575)
AASB 101.85	Amortisation of intangible assets	19	(3,528)	(3,501)
AASB 101.85	Impairment of goodwill	18	(799)	(190)
AASB 101.85	Impairment of other intangible assets	19	(870)	-
AASB 101.85	Other expenses		(12,878)	(10,061)
			21,554	**19,094**
AASB 101.82(c)	Share of net profit from associates and joint ventures accounted for using the equity method	14	391	141
AASB 101.82(b)	Finance costs	6	(1,490)	(1,876)
AASB 101.85	Finance income	6	994	793
AASB 101.85	Other financial items	7	943	1,182
	Profit before income tax		**22,392**	**19,334**
AASB 101.82(d)	Income tax expense	8	(6,910)	(5,763)
	Profit for the year from continuing operations		**15,482**	**13,571**
AASB 101.82(ea)	Loss for the year from discontinued operations	9	(9)	(325)
AASB.101.82(f)	**Profit for the year**		**15,473**	**13,246**

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land	15	303	-
Re-measurement of net defined benefit liability	22	3,830	(3,541)
Income tax on items that will not be reclassified to profit or loss	24	(1,240)	1,062
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging:	12		
• current year gains / (losses)		367	(47)
• reclassification to profit or loss		260	(425)
Available-for-sale financial assets:	12		
• current year gains / (losses)		113	35
• reclassification to profit or loss		(50)	-
Exchange differences on translating foreign operations		(664)	(341)
Share of other comprehensive income of equity accounted investments		2	-
Income tax on items that may be reclassified to profit or loss	24	176	95
Other comprehensive income for the period, net of tax		**3,097**	**(3,162)**
Total comprehensive income for the period		**18,570**	**10,084**
Profit for the year attributable to:			
• non-controlling interest		121	116
• owners of the parent		15,352	13,130
		15,473	**13,246**
Total comprehensive income attributable to:			
• non-controlling interest		121	116
• owners of the parent		18,449	9,968
		18,570	**10,084**
Total comprehensive income attributable to owners of the parent:			
• continuing operations		18,458	10,293
• discontinued operations		(9)	(325)
		18,449	**9,968**

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2017

		Notes	2017 $	2016 $
	Earnings per share	25		
AASB 133.67A	*Basic earnings per share:*			
AASB 133.66	• earnings from continuing operations		1.22	1.14
AASB 133.68	• loss from discontinued operations		(0.00)	(0.03)
AASB 133.66	**Total**		**1.22**	**1.11**
AASB 133.67A	*Diluted earnings per share:*			
AASB 133.66	• earnings from continuing operations		1.22	1.14
AASB 133.68	• loss from discontinued operations		(0.00)	(0.03)
AASB 133.66	**Total**		**1.22**	**1.11**

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

Guidance Note: Consolidated Statement of Financial Position

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

If the entity:

i Applies an accounting policy retrospectively;

ii Makes a retrospective restatement of items in its financial statements for correction of material errors; or

iii Reclassifies items in the financial statements;

the entity shall present a statement of financial position as at the beginning of the earliest comparative period, i.e., an extra comparative statement of financial position at, for example, 1 January 2016 (AASB 101.10(f) and AASB 101.39).

Grant Thornton CLEARR Example Ltd has included a third statement of financial position to reflect the Group's correction of a prior period error.

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).

Consolidated Statement of Financial Position

As at 31 December 2017

		Notes	2017 $'000	2016 $'000	1 January 2016 $'000
AASB 101.51(c)	**Assets**				
AASB 101.60, AASB 101.66	**Current**				
AASB 101.54(i)	Cash and cash equivalents	10	34,729	11,197	9,987
AASB 101.54(h)	Trade and other receivables	11	33,629	25,406	20,719
AASB 101.54(d)	Other short-term financial assets	12	655	649	631
AASB 101.54(g)	Inventories	13	18,298	17,226	18,571
AASB 101.55	Derivative financial instruments	12	582	212	490
AASB 101.54(n)	Current tax assets		-	337	-
			87,893	**55,027**	**50,398**
AASB 101.54(j)	Assets and disposal group classified as held for sale	9	103	3,908	-
AASB 101.60	**Total current assets**		**87,996**	**58,935**	**50,398**
AASB 101.60, AASB 101.66	**Non-current**				
AASB 101.54(e), AASB 128.38	Investments accounted for using the equity method	14	860	467	104
AASB 101.54(a)	Property, plant and equipment	15	22,199	20,397	20,746
AASB 101.54(b)	Investment property	16	12,662	12,277	12,102
AASB 101.54(d)	Other long-term financial assets	12	3,765	3,880	4,327
AASB 101.54(o), AASB 101.56	Deferred tax assets	17	-	901	852
AASB 101.57	Goodwill	18	5,041	3,537	1,234
AASB 101.54(c)	Other intangible assets	19	17,424	13,841	10,664
AASB 101.60	**Total non-current assets**		**61,951**	**55,300**	**50,029**
AASB 101.55	**Total assets**		**149,947**	**114,235**	**100,427**

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

Consolidated Statement of Financial Position (continued)

As at 31 December 2017

AASB 101.57		Notes	2017 $'000	2016 $'000	1 January 2016 $'000
AASB 101.51(c-e)	**Liabilities**				
AASB 101.60, AASB 101.69	**Current**				
AASB 101.54(k)	Trade and other payables	20	8,497	6,550	7,672
AASB 101.54(m)	Borrowings	12	5,327	3,885	3,818
AASB 101.54(m)	Derivative financial instruments	12	-	160	-
AASB 101.54(l)	Provisions	21	1,215	3,345	4,400
AASB 101.55	Employee benefits	22	1,467	1,496	1,336
AASB 101.54(n)	Current tax liabilities		3,068	-	208
AASB 101.55	Other liabilities	23	2,758	6,475	2,832
			22,332	**21,911**	**20,266**
AASB 101.54(p)	Liabilities included in disposal group held for sale	9	-	449	-
AASB 101.55	**Current liabilities**		**22,332**	**22,360**	**20,266**
AASB 101.60, AASB 101.69	**Non-current**				
AASB 101.54(k)	Trade and other payables	20	-	-	4,765
AASB 101.54(m)	Borrowings	12	25,060	25,724	21,405
AASB 101.55	Employee benefits	22	10,386	13,642	8,932
AASB 101.54(o), AASB 101.56	Deferred tax liabilities	17	1,907	-	-
AASB 101.55	Other liabilities	23	2,020	1,500	1,600
AASB 101.55	**Total non-current liabilities**		**39,373**	**40,866**	**36,702**
AASB 101.55	**Total liabilities**		**61,705**	**63,226**	**56,968**
AASB 101.55	**Net assets**		**88,242**	**51,009**	**43,459**
	Equity				
	Equity attributable to owners of the parent:				
AASB 101.54(r)	Share capital		33,415	15,050	15,050
AASB 101.54(r)	Share option reserve		764	466	-
AASB 101.55	Other components of equity	24	2,440	(657)	2,505
AASB 101.54(r)	Retained earnings		50,910	35,558	25,428
			87,529	**50,417**	**42,983**
AASB 101.54(q)	Non-controlling interest		713	592	476
AASB 101.55	**Total equity**		**88,242**	**51,009**	**43,459**

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

Guidance Note: Consolidated Statement of Changes in Equity

Entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or 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 24.2). 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 Australian Accounting Standards. Share option reserve has been credited with an increase in equity in this example (see also Note 4.24).

Statement of Changes in Equity

For the year ended 31 December 2017

AASB 101.51(d-e)		Notes	Share capital $'000	Share option reserve $'000	Other components of equity $'000	Retained earnings $'000	Total attributable to owners of parent $'000	Non-controlling interest $'000	Total equity $'000
AASB 101.106(d)	**Balance at 1 January 2016**		**15,050**	**-**	**2,505**	**25,363**	**42,918**	**476**	**43,394**
AASB 101.106(b)	Adjustment on error correction	3.1	-	-	-	65	65	-	65
AASB 101.106(d)	**Balance at 1 January 2016 (restated)**		**15,050**	-	**2,505**	**25,428**	**42,983**	**476**	**43,459**
	Employee share-based payment options	22	-	466	-	-	466	-	466
AASB 101.106(d)(iii)	Total transactions with owners		-	466	-	-	466	-	466
	Reported profit for the year		-	-	-	13,115	13,115	116	13,231
	Adjustment on error correction	3.1	-	-	-	15	15	-	15
AASB 101.106(d)(i)	Restated profit for the year		-	-	-	13,130	13,130	116	13,246
AASB 101.106A	Other comprehensive income	24	-	-	(3,162)	-	(3,162)	-	(3,162)
	Total comprehensive income		**-**	-	**(3,162)**	**13,130**	**9,968**	**116**	**10,084**
AASB 101.106(d)	**Balance at 31 December 2016 (restated)**		**15,050**	**466**	**(657)**	**38,558**	**53,417**	**592**	**54,009**
AASB 101.106(d)	**Balance at 1 January 2017**		**15,050**	**466**	**(657)**	**38,558**	**53,417**	**592**	**54,009**
	Dividends	25	-	-	-	(3,000)	(3,000)	-	(3,000)
	Issue of share capital under share-based payment	24	1,685	-	-	-	1,685	-	1,685
	Employee share-based payment options	22	-	298	-	-	298	-	298
	Issue of share capital	24	16,680	-	-	-	16,680	-	16,680
AASB 101.106(d)(iii)	Total transactions with owners		18,365	298	-	(3,000)	15,663	-	15,663
AASB 101.106(d)(i)	Profit for the year		-	-	-	15,352	15,352	121	15,473
AASB 101.106(d)(ii)	Other comprehensive income	24	-	-	3,097	-	3,097	-	3,097
	Total comprehensive income		**-**	-	**3,097**	**15,352**	**18,449**	**121**	**18,570**
AASB 101.106(d)	**Balance at 31 December 2017**		**33,415**	**764**	**2,440**	**50,910**	**87,529**	**713**	**88,242**

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

Guidance note: 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 the operating cash flows using the indirect method (AASB 107.18(b)).

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

		Notes	2017 $'000	2016 $'000
AASB 101.51(c-e)				
AASB 107.10	**Operating activities**			
	Receipts from customers		205,909	191,751
	Payments to suppliers and employees		(177,972)	(166,020)
	Income taxes paid		(1,948)	(5,588)
	Net cash from continuing operations		25,989	20,143
	Net cash (used in) / from discontinued operations	9	(22)	811
	Net cash from operating activities	26	**25,967**	**20,954**
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)	(3,235)
	Proceeds from disposals of other intangible assets		924	-
AASB 107.39	Acquisition of subsidiaries, net of cash acquired	31	(15,491)	(12,075)
AASB 107.39	Proceeds from sale of subsidiaries, net of cash disposed of	31	3,117	-
	Proceeds from disposals and redemptions of non-derivative financial assets		228	132
AASB 107.31	Interest received	6	752	447
AASB 107.31	Dividends received	6	62	21
AASB 107.35	Taxes paid		(467)	(140)
	Net cash used in investing activities		**(14,531)**	**(18,131)**
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	6	(1,015)	(985)
AASB 107.31	Dividends paid	25	(3,000)	-
	Net cash from / (used in) financing activities		**12,013**	**(1,634)**
AASB 107.45	Net change in cash and cash equivalents		23,449	1,189
	Cash and cash equivalents, beginning of year		11,219	9,987
AASB 107.28	Exchange differences on cash and cash equivalents		61	43
			34,729	**11,219**
	Included in disposal group	9	-	(22)
AASB 107.45	**Cash and cash equivalents, end of year**	10	**34,729**	**11,197**

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

Notes to the Consolidated Financial Statements[6]

1 Nature of operations

AASB 101.51(a)
AASB 101.51(b)

Grant Thornton CLEARR Example Ltd and Subsidiaries' (the Group) principal activities include the development, consulting, sale and service of customised IT and telecommunication systems.

AASB 101.138(b)

These activities are grouped into the following service lines:

- **consulting** – focused on the design and sale of phone and intranet based in-house applications; customisation and integration of IT and telecommunications systems
- **service** – provides after-sale service and maintenance of IT and telecommunication systems; and
- **retail** – involved in the online sales of hardware and software products of the Group's business partners

2 General information and statement of compliance

AAASB 1054.7-9
AAASB 101.16
AAASB 1054.8(b)

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Grant Thornton CLEARR Example Ltd is a for-profit entity for the purpose of preparing the financial statements.

AASB 101.138(a)
AASB 101.138(c)

Grant Thornton CLEARR Example Ltd is the Group's Ultimate Parent Company. Grant Thornton CLEARR Example Ltd is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is 149a Great Place, 40237 Greatville, Australia.

AASB 101.51(c)
AASB 110.17

The consolidated financial statements for the year ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 28 February 2018.

3 Changes in accounting policies

3.1 Correction of prior period error

AASB 108.29

One of the subsidiaries undertook a review of its leasing arrangements during the year and found that an equipment leasing contract had been incorrectly accounted for as a finance lease rather than as an operating lease. This error has been rectified by restating each of the affected financial statement line items for prior periods as follows:

	31 December 2016			31 December 2015		
Statement of financial position (extract)	**Previous amount $'000**	**Adjustment $'000**	**Restated amount $'000**	**Previous amount $'000**	**Adjustment $'000**	**Restated amount $'000**
Property, plant and equipment	21,407	(650)	20,397	21,421	(675)	20,746
Deferred tax asset	955	(54)	901	895	(43)	852
Current borrowings	(3,498)	119	(3,379)	(3,936)	118	(3,818)
Non-current borrowings	(21,930)	665	(21,265)	(22,070)	665	(21,405)
Net assets	53,929	80	54,009	43,394	65	43,459
Retained earnings	(35,478)	(80)	(35,558)	(25,363)	(65)	(25,428)
Total equity	**(51,089)**	**(80)**	**(51,009)**	**(43,394)**	**(65)**	**(43,459)**

6 The example notes to the financial statements only include disclosures that are relevant to the fictitious entity, being Grant Thornton CLEARR Example Ltd. Australian Accounting Standards may require additional disclosures in other circumstances. The disclosures should be tailored in all cases to reflect the entity's specific facts and circumstances, based on a comprehensive and up to date disclosure checklist.

Statement of profit or loss and other comprehensive income (extract)	31 December 2016 Previous amount $'000	Adjustment $'000	Restated amount $'000
Changes in inventories	(5,637)	(14)	(5,623)
Finance costs	(1,914)	38	(1,876)
Profit before income tax	**19,313**	**21**	**19,334**
Income tax expense	(5,757)	(6)	(5,763)
Loss from discontinued operation	(325)	-	(325)
Profit for the period	**13,231**	**15**	**13,246**
Other comprehensive income	(3,162)	-	(3,162)
Total comprehensive income for the period	**10,069**	**15**	**10,084**
Total comprehensive income attributable to:			
• non-controlling interests	116	-	116
• owners of the parent	9,953	15	9,968
	10,069	**15**	**10,084**
Basic earnings per share (cents)	1.13	0.01	1.14
Diluted earnings per share (cents)	1.13	0.01	1.14

3.2 New and revised standards that are effective for these financial statements[7]

AASB 108.28

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2017. Information on the more significant standard(s) is presented below.

AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

This standard extends the mandatory effective date of AASB 15 *Revenue from Contracts with Customers* by 12 months so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017.

AASB 2015-8 is applicable to annual reporting periods beginning on or after 1 January 2017.

The adoption of these amendments has not had a material impact on the Group.

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2016-2 is applicable to annual reporting periods beginning on or after 1 January 2017.

The adoption of these amendments has not had a material impact on the Group.

AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

This Standard clarifies the scope of AASB 12 *Disclosure of Interests in Other Entities* by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

AASB 2017-2 is applicable to annual reporting periods beginning on or after 1 January 2017

The adoption of these amendments has not had a material impact on the Group.

3.3 Accounting Standards issued but not yet effective and not been adopted early by the Group

AASB 108.30, 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/en/insights/technical-publications--ifrs/local-technical-and-financial-reporting-alerts/

4 Summary of accounting policies

4.1 Overall considerations

AASB 101.114(b)
AASB 101.117(b)

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Basis of consolidation

AASB 101.117
AASB 10.6
AASB 10.B92
AASB 101.51(b),(c)
AASB 10.B86(c)

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. 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.

AASB 10.B88

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.

AASB 10.22
AASB 10.B94

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.

4.3 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 acquire, 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.

4.4 Investments in associates and joint arrangements

AASB 11.15-16

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

AASB 128.10

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

AASB 11.24

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, 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.

4.5 Foreign currency translation

Functional and presentation currency

AASB 121.53
AASB 101.51(d)

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 re-measurement 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 Australian-Dollar ($AUD) are translated into $AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

AASB 121.47,48

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[8] over the reporting period. Exchange differences are charged or 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.

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

4.6 Segment reporting

AASB 8.22(a) The Group has three operating segments: consulting, service and retain segments. In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group (see Note 1).

AASB 8.22(b) The activities undertaken by the consulting segment includes the sale, customisation and integration of IT and telecommunication systems. Maintenance of these systems is undertaken by the service segment. The retail segment includes the entire Group's internet-based selling activities of hardware and software products.

AASB 8.27(a) Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

AASB 8.27(b-d) The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements, except that:

- post-employment benefit expenses
- expenses relating to share-based payments
- research costs relating to new business activities; and
- revenue, costs and fair value gains from investment property

are not included in arriving at the operating profit of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to the Group's headquarters and the Illustrative Research Lab in Greatville.

AASB 8.27(e) There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

4.7 Revenue

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.

Sale of goods (hardware or software)

AASB 101.117(b) 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.

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.

Rendering of services

AASB 101.117(b)

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 16). Rental income is recognised on a straight-line basis over the term of the lease.

Construction contracts for telecommunication solutions

AASB 101.117(b)

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 contracts' 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 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).

Interest and dividend income

AASB 118.30

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

4.8 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.

4.9 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 6).

4.10 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 coordinated 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 profit or loss and other 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 4.21), is further analysed in Note 9.

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.

4.11 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 4.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 4.15 for a description of impairment testing procedures.

4.12 Other intangible assets

Recognition of other intangible assets

Acquired intangible assets

AASB 138.118(a)
AASB 138.118(b)
AASB 101.117(b)

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 4.3).

Internally developed software

AASB 138.57
AASB 101.117(b)

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; and
- the software will generate probable future economic benefits

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

Costs that are directly attributable include employees' (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 capitalised 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 4.15.

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 4.15.

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.

4.13 Property, plant and equipment

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

Land

Land held for use in production or administration is stated at revalued amounts. Revalued 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 4.15) 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 4.14). 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.

4.14 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 4.13 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.

4.15 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.

4.16 Investment property

AASB 140.75(a)

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 4.7 and 4.8.

4.17 Financial instruments

Recognition, initial measurement and derecognition

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.

Classification and subsequent measurement of financial assets

AASB 101.117(a)

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; or
- Available-for-sale (AFS) financial assets

AASB 7.B5(f)

All financial assets except for those at fair value through profit or loss (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.

Loans and receivables

AASB 101.117(a)
AASB 101.117(b)

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 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.

Financial assets at fair value through profit or loss (FVTPL)

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

Financial assets at fair value through profit or loss (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)

Held-to-maturity (HTM) investments

Held-to-maturity (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)

Held-to-maturity (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.

Available-for-sale (AFS) financial assets

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

Available-for-sale (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 Available-for-sale (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 4.7).

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities

AASB 101.117(b)

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 4.16), 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 thirty-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 any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

4.18 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.

4.19 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 101.117(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.

UIG1052(16)(a) Grant Thornton CLEARR Example Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

4.20 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.

4.21 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 re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations (see Note 4.10).

4.22 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.

Other components of equity include the following:

- **revaluation reserve:** comprises gains and losses from the revaluation of land (see Note 4.13)
- **net defined benefit liability:** comprises the actuarial losses from changed in demographic and financial assumptions and the return on plan assets (see Note 4.23)
- **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 4.5)
- **AFS financial assets and cash-flow hedge reserves:** comprises gains and losses relating to these types of financial instruments (see Note 4.17)

Retained earnings include 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.

4.23 Employee benefits

Short-term employee benefits

AASB 119.11

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

AASB 119.8, 155, 156

The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

AASB 101.69(d)

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

Post-employment benefit plans

The Group provides post-employment benefits through various defined contribution and defined benefit 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.

AASB 101.117(a)

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth and mortality. Discount rates are determined by reference to market yields at the end of the reporting periods on high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

AASB 119.57(d)

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income. They are included as a separate component of equity in the statement of financial position and in the statement of changes in equity.

AASB 119.103

Service cost on the net defined benefit liability is included in employee benefits expense. Net interest expense on the net defined benefit liability is included in finance costs.

4.24 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.

4.25 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)

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

4.26 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.

4.27 Rounding of amounts

ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191
AASB 101.51(e)

The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000, or in certain cases, the nearest dollar.

4.28 Significant management judgement in applying accounting policies

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 judgement in determining milestones, actual work performed and the estimated costs to complete the work (see Note 4.7).

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 4.12).

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 4.19).

Control assessment

See Note 32.1.

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 4.15). In 2017, the Group recognised an impairment loss on goodwill (see Note 18) and internally generated software (see Note 19).

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 4.3). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 31.1).

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 ongoing 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 4.7).

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 22.3).

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 35).

5 Segment reporting

AASB 8.22(a) Management currently identifies the Group's three service lines as its operating segments (see Note 4.6). These operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results[9].

AASB 8.16 In addition, two minor operating segments are combined into a segment called 'other'. The main source of revenue for other segment is the sale and disposal of used IT equipment that the Group collects from its customers.

Segment information for the reporting period is as follows:

		Consulting 2017 $'000	Service 2017 $'000	Retail 2017 $'000	Other 2017 $'000	Total 2017 $'000
	Revenue					
AASB 8.23(a)	From external customers	110,810	18,140	72,098	4,079	205,127
	Discontinued operations	-	-	9,803	-	9,803
AASB 8.23(b)	From other segments	231	-	-	-	231
	Segment revenues	**111,041**	**18,140**	**81,901**	**4,079**	**215,161**
	Changes in inventories	(4,694)	-	(3,129)	-	(7,823)
AASB 8.23(f)	Costs of material	(17,468)	(5,442)	(22,040)	(1,397)	(46,347)
	Employee benefits expense	(54,224)	(10,863)	(46,359)	(2,447)	(113,893)
AASB 8.23(e)	Depreciation and amortisation of non-financial assets	(3,388)	(555)	(2,205)	(125)	(6,273)
AASB 136.129(a)	Impairment of non-financial assets	(1,669)	-	-	-	(1,669)
	Other expenses	(9,446)	(30)	(1,333)	(10)	(10,819)
AASB 8.23	**Segment operating profit**	**20,152**	**1,250**	**6,835**	**100**	**28,337**
AASB 8.23	**Segment assets 2017**	**68,103**	**11,149**	**44,311**	**2,507**	**126,070**

	Consulting 2016 $'000	Service 2016 $'000	Retail 2016 $'000	Other 2016 $'000	Total 2016 $'000
Revenue					
From external customers	109,302	17,832	59,310	4,121	190,565
Discontinued operations	-	-	11,015	-	11,015
From other segments	110	-	-	-	110
Segment revenues	**109,412**	**17,832**	**70,325**	**4,121**	**201,690**
Changes in inventories	(3,344)	-	(2,229)	-	(5,573)
Costs of materials	(18,516)	(5,350)	(19,197)	(1,319)	(44,383)
Employee benefits expense	(56,277)	(10,498)	(38,997)	(2,473)	(108,245)
Depreciation and amortisation of non-financial assets	(3,585)	(587)	(2,332)	(132)	(6,636)
Impairment of non-financial assets	(190)	-	-	-	(190)
Other expenses	(9,203)	(100)	(1,761)	(20)	(11,084)
Segment operating profit	**18,297**	**1,297**	**5,809**	**177**	**25,580**
Segment assets 2016	**51,615**	**8,450**	**33,583**	**1,900**	**95,458**

No segment liabilities are disclosed because there is no measure of segment liabilities regularly reported to the chief operating decision maker.

[9] AASB 8 requires the amount of each operating segment item to be disclosed using the measures reported to the chief operating decision maker (i.e. based on internal management information). The disclosures in the Example Financial Statements are therefore based on substantial assumptions (e.g. there is no measure of segment liabilities regularly reported to the chief operating decision maker), and so cannot be viewed as the only acceptable way of providing segment disclosures. It is therefore important to emphasise that segment reporting should be tailored on the basis of the entity's internal management reporting.

The total presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

		2017 $'000	2016 $'000
AASB 8.28(a)	**Revenues**		
	Total reportable segment revenues	211,082	197,569
	Other segment revenues	3,679	3,756
	Rental income from investment property	1,066	1,028
	Discontinued operations	(9,803)	(11,015)
	Elimination of intersegment revenues	(231)	(110)
	Group revenues	**205,793**	**191,228**
AASB 8.28(b)	**Profit or loss**		
	Total reportable segment operating profit	28,237	25,403
	Other segment profit	100	177
	Rental income from investment property	1,066	1,028
	Change in fair value of investment property	310	175
	Share-based payment expenses	(298)	(466)
	Post-employment benefit expenses	(6,099)	(6,373)
	Research and development costs	(1,690)	(1,015)
	Other income not allocated	427	483
	Other expenses not allocated	(368)	(185)
	Operating profit of discontinued operations	(73)	(106)
	Elimination of intersegment profits	(58)	(27)
	Group operating profit	**21,554**	**19,094**
	Share of profits from equity accounted investments	391	141
	Finance costs	(1,490)	(1,876)
	Finance income	994	793
	Other financial items	943	1,182
	Group profit before tax	**22,392**	**19,334**
AASB 8.28(c)	**Assets**		
	Total reportable segment assets	123,563	93,648
	Other segment assets	2,507	1,900
	Group headquarters	3,967	2,073
	Investment property	12,662	12,277
	Illustrative Research Lab	5,101	2,665
	Other assets	3,281	2,264
	Consolidation	(1,134)	(592)
	Group assets	**149,947**	**114,235**

AASB 8.28 Unallocated operating income and expense mainly consist of research expenditure as well as post-employment
AASB 8.28 benefits expenses. The Group's corporate assets, consisting of its headquarters, investment properties and research facility, are not allocated to any segment's assets.

The Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are divided into the following geographical areas:

AASB 8.33(a)		Revenue 2017 $'000	Non-current assets 2017 $'000	Revenue 2016 $'000	Non-current assets 2016 $'000
AASB 8.33(b)	Australia (Domicile)	164,102	46,053	152,452	40,242
	United Kingdom	20,513	5,757	19,057	5,030
	USA	18,461	5,181	17,151	4,527
	Other countries	1,651	575	1,540	503
	Total	**204,727**	**57,566**	**190,200**	**50,302**

AASB 8.33(a) Revenues from external customers in the Group's domicile, Australia, as well as its major markets, the United Kingdom and the USA, have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location. The above table does not include discontinued operations (disposal groups), for which revenue and assets can be attributed to Australia.

AASB 8.34 During 2017, $24,744,000 or 12% (2016: $21,076,000 or 11%) of the Group's revenues depended on a single customer in the consulting segment.

AASB 8.32
AASB118.35(b) An analysis of the Group's revenue for each major product and service category (excluding revenue from discontinued operations) is as follows:

		2017 $'000	2016 $'000
AASB 8.32	Sale of hardware	47,585	39,145
	Sale of software	24,513	20,165
	Other	3,679	3,756
AASB 118.35(b)(i)	**Sale of goods**	**75,777**	**63,066**
	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
AASB 140.75(f)	Rental income	1,066	1,028
AASB 118.35(b)(ii)	**Rendering of services**	**130,016**	**128,162**
	Group revenue	**205,793**	**191,228**

6 Finance costs and finance income

Finance costs for the reporting periods consist of the following:

		2017 $'000	2016 $'000
AASB 720(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 fair value through profit or loss (FVTPL)**	**1,015**	**985**
AASB 123.26(a)	*Less:* interest expenses capitalised into intangible assets	(80)	(78)
		935	**907**

		2017 $'000	2016 $'000
AASB 119.141(b)	Defined benefit obligation interest expenses	505	549
	Unwinding of discount relating to contingent consideration liability	20	-
AASB 7.20(a)(i)	Loss on foreign currency financial liabilities designated at FVTPL	30	70
AASB 7.20(a)	Impairment of investment in XY Ltd (AFS)	-	350
		1,490	**1,876**

AASB 123.26(b) Interest expenses capitalised into intangible assets were capitalised at a rate of 4.4% per annum (2016: 4.5%).

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 2016 for the investment in XY Ltd, which is carried at cost less impairment charges as its fair value cannot be measured reliably (see Note 12.3).

Finance income for the reporting periods consists of the following:

		2017 $'000	2016 $'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**

7 Other financial items

Other financial items consist of the following:

		2017 $'000	2016 $'000
AASB 7.20(a)(i) AASB 121.52(a)	Gain / (loss) from financial assets at fair value through profit and loss - classified as held-for-trading	6	18
AASB 7.20(a)(iv)	Gain / (loss) from exchange differences on loans and receivables	937	1,164
		943	**1,182**

8 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% (2016: 30%) and the reported tax expense in profit or loss are as follows:

		2017 $'000	2016 $'000
AASB 112.81(c)(i)	Profit before tax	22,392	19,334
AASB 112.85	Domestic tax rate for Grant Thornton CLEARR Example Ltd	30%	30%
	Expected tax expense	**6,718**	**5,900**
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	(63)	(117)
AASB 112.84	Adjustment for non-deductible expenses:		
	• relating to goodwill impairment	240	57
	• Other non-deductible expenses	17	9
	Actual tax expense / (income)	**6,910**	**5,763**
AASB 112.79, AASB 112.80	Tax expense comprises:		
AASB 112.80(a)	• current tax expense	5,798	5,164
	Deferred tax expense / (income):		
AASB 112.80(c)	• origination and reversal of temporary differences	1,037	374
AASB 112.80	• utilisation of unused tax losses	75	225
	Tax expense	**6,910**	**5,763**
AASB 112.81(ab)	Deferred tax expense / (income), recognised directly in other comprehensive income	(1,064)	(1,157)

Note 17 provides information on deferred tax assets and liabilities. Note 24.2 provides information on deferred income tax recognised directly in each component of other comprehensive income.

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

AASB 5.41(a)-(d) By mid-2017, 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 online 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 profit or loss and other comprehensive income (see loss for the year from discontinued operations).

AASB 107.40(a) On 30 September 2017, Highstreet Ltd and subsidiaries were sold for a total of $3,117,000 in cash resulting in a loss of $29,000 before tax primarily due to related selling costs (see Note 31.3).

Operating profit of Highstreet Ltd and subsidiaries until the date of disposal and the profit or loss from re-measurement and disposal of assets and liabilities classified as held for sale is summarised as follows:

		2017 $'000	2016 $'000
AASB 5.33(b)(i)	Revenue	9,803	11,015
	Costs of material	(3,540)	(3,633)
	Employee benefits expense	(6,100)	(6,411)
	Depreciation and amortisation	-	(765)
	Other expenses	(90)	(100)
	Operating profit	73	106
	Finance costs	(56)	(60)
AASB 5.33(b)(ii), also	Profit from discontinued operations before tax	17	46
AASB 112.81(h)	Tax expense	(5)	(14)
	Profit for year	**12**	**32**
	Gain / (loss) on re-measurement and disposal:		
AASB 5.33(b)(iii)	• loss before tax on measurement to fair value less cost to sell	-	(510)
	• loss before tax on disposal	(29)	-
AASB 5.33(b)(iv), AASB 112.81(h)	• tax income / (expense)	8	153
	Total gain / (loss)	**(21)**	**(357)**
	Loss for the year from discontinued operations	**(9)**	**(325)**

AASB 5.41(b)-(d)

Most of the assets and all of the liabilities have been disposed of in this transaction however the Group continues to own some former Highstreet storage facilities. Management expects to sell these remaining assets during 2018.

AASB 5.38

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

	2017 $'000	2016 $'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:

	2017 $'000	2016 $'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.

10 Cash and cash equivalents

AASB 107.45 Cash and cash equivalents include the following components:

	2017 $'000	2016 $'000
Finance lease liabilities		
Cash at bank and in hand:		
• Australian Dollars ($AUD)	24,292	7,827
• British Pound (£GBP)	2,087	674
• US Dollars ($USD)	1,392	449
Short term deposits ($AUD)	6,958	2,247
Cash and cash equivalents	**34,729**	**11,197**

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 2017 amounts to $500,000 (2016: $Nil). All restrictions on bank deposits were removed prior to approval of these consolidated financial statements on 28 February 2018.

11 Trade and other receivables

Trade and other receivables consist of the following:

		2017 $'000	2016 $'000
AASB 101.77			
AASB 101.78(b)	Trade receivables, gross	31,265	23,889
	Allowance for credit losses	(432)	(560)
	Trade receivables	30,833	23,329
	Receivables due from ABC Ltd	112	112
	Financial assets	30,945	23,441
	Social security and other taxes	1,012	676
	Construction contracts for telecommunication solutions	1,374	974
	Prepayments	298	315
AASB102.36(b)	Non-financial assets	2,684	2,965
		33,629	**25,406**

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 2016. 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 (2016: $514,000) has been recorded accordingly within other expenses. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

AASB 7.16

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

		2017 $'000	2016 $'000
	Reconciliation of allowance credit losses		
AASB 7.16	**Balance at 1 January**	**560**	**112**
	Amounts written off (uncollectable)	(200)	(66)
	Impairment loss	72	514
	Impairment loss reversed	-	-
	Balance 31 December	**432**	**560**

An analysis of unimpaired trade receivables that are past due is given in Note 34.3.

11.1 Construction contracts

AASB 111.39(a)

Revenue of $50,973,000 (2016: $49,186,000) relating to construction contract for telecommunications 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:

		2017 $'000	2016 $'000
	Reconciliation of allowance credit losses		
AASB 111.40(a)	Aggregate amounts of costs incurred and recognised profits and losses for all contracts in progress	3,421	3,121
	Less: Progress billing	(2,335)	(2,354)
		1,086	**767**
	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

AASB 111.40(b)

Advances paid from customers for construction contracts related to work not yet performed have been recognised in other liabilities (see Note 23) and amount to $225,000 (2016: $220,000).

AASB 111.40(c)

Retentions on construction contracts included within trade and other receivables amount to $10,000 (2016: $Nil). Retentions will be received upon acceptance by the customer of the work performed.

12 Financial assets and liabilities

12.1 Categories of financial assets and liabilities

AASB 7.25 Note 4.17 provides a description of each category of financial assets and financial liabilities and the related accounting policies.

The carrying amounts of financial assets and financial liabilities in each category are as follows:

		Notes	Assets at fair value through OCI $'000	Assets at fair value through profit or loss $'000	Derivatives used for hedging $'000	Financial assets at amortised cost $'000	Total $'000
	31 December 2017						
	Financial assets						
AASB 7.8(b)	Bonds - HTM	14.2	-	-	-	2,814	2,814
AASB 7.8(d)	Other investments [(a)]	14.3	951	-	-	-	951
	Other long-term financial assets		951	-	-	2,814	3,765
AASB 7.8(a)(ii)	Other short-term financial assets	14.4	-	655	-	-	655
AASB 7.8(a)(ii)	Derivative financial instruments	14.5	-	115	467	-	582
AASB 7.8(c)	Trade and other receivables [(b)]	17	-	-	-	30,945	30,945
AASB 7.8(c)	Cash and cash equivalents	18	-	-	-	34,729	34,729
			951	**770**	**467**	**68,488**	**70,676**

a Includes an equity investment carried at cost less impairment charges because fair value cannot be determined reliably. See Note 12.3.
b These amounts only represent trade receivables that are financial assets. See Note 11.

		Notes	Derivatives used for hedging* $'000	Designated at fair value through profit or loss* $'000	Other liabilities at fair value through profit or loss* $'000	Other liabilities# $'000	Total $'000
	31 December 2017						
	Financial liabilities						
AASB 7.8(e)(i)	Non-current borrowings	14.6	-	7,700	-	17,360	25,060
AASB 7.8(e)(i), AASB 7.8(f)	Current borrowings	14.6	-	250	-	5,077	5,327
AASB 7.8(f)	Trade and other payables	23	-	-	-	8,497	8,497
AASB 7.7	Derivative financial instruments	14.5	-	-	-	-	-
AASB 7.8(e)(ii)	Contingent consideration	24	-	-	620	-	-
			-	**7,950**	**620**	**30,934**	**39,504**

* Carried at fair value
\# Carried at amortised cost

		Notes	Assets at fair value through OCI $'000	Assets at fair value through profit or loss $'000	Derivatives used for hedging $'000	Financial assets at amortised cost $'000	Total $'000
	31 December 2016						
	Financial assets						
AASB 7.8(b)	Bonds - HTM	14.2	-	-	-	2,992	2,992
AASB 7.8(d)	Other investments(a)	14.3	888	-	-	-	888
	Other long-term financial assets		888	-	-	2,992	3,880
AASB 7.8(a)(ii)	Other short-term financial assets	14.4	-	649	-	-	649
AASB 7.8(a)(ii)	Derivative financial instruments	14.5	-	212	-	-	212
AASB 7.8(c)	Trade and other receivables (b)	17	-	-	-	23,441	23,441
AASB 7.8(c)	Cash and cash equivalents	18	-	-	-	11,197	11,197
			888	**861**	**-**	**37,630**	**39,379**

a Includes an equity investment carried at cost less impairment charges because fair value cannot be determined reliably. See Note 12.3.
b These amounts only represent trade receivables that are financial assets. See Note 11.

		Notes	Derivatives used for hedging* $'000	Designated at fair value through profit or loss* $'000	Other liabilities# $'000	Total $'000
	31 December 2016					
	Financial liabilities					
AASB 7.8(e)(i)	Non-current borrowings	14.6	-	7,965	17,759	25,724
AASB 7.8(e)(i), AASB 7.8(f)	Current borrowings	14.6	-	255	3,630	3,885
AASB 7.8(f)	Trade and other payables	23	-	-	6,550	6,550
AASB 7.7	Derivative financial instruments	14.5	160	-	-	160
			160	**8,220**	**27,939**	**36,319**

* Carried at fair value
\# Carried at amortised cost

AASB 7.33 A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 34.

The methods used to measure financial assets and liabilities reported at fair value are described in Note 35.1.

12.2 HTM investments

AASB 7.7 HTM investments comprise public traded zero coupon and US straight bonds with fixed interest rates between 5.5% and 6.2%. They mature in 2019 and 2020. The carrying amounts (measured at amortised cost) and fair values of these bonds are as follows:

		2017 $'000	2016 $'000
	Carrying amount at amortised cost:		
	• zero coupon bonds	1,110	1,189
	• US straight bonds	1,704	1,803
AASB 7.8(b)		**2,814**	**2,992**
	Fair value:		
AASB 7.25	• zero coupon bonds	1,190	1,186
	• US straight bonds	1,705	1,809
		2,895	**2,995**

AASB 13.97

Fair values of these bonds have been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy. The fair value of the US straight bonds also reflects the US-Dollar spot rate as at the reporting date.

12.3 Available-for-sale (AFS) financial assets

The details and carrying amounts of Available-for-sale (AFS) financial assets are as follows:

		2017 $'000	2016 $'000
AASB 7.25	Listed equity securities	421	343
AASB 7.25	Listed debentures	97	112
	Total AFS financial assets at fair value	518	455
AASB 7.8(d)	Investment in XY Ltd	433	433
		951	**888**

The equity securities and debentures are denominated in Australian Dollars ($AUD) and are publicly traded in Australia.

AASB 7.30(a)-(d)

The investment in XY Ltd represents a 15% equity interest in an unlisted company, one of the Group's suppliers. XY Ltd has been undertaking a major restructuring process since 2016, 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 2016, 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.

12.4 Financial assets held for trading

AASB 7.B5(a)(i)

Financial assets held for trading consists of various investments in money market funds (presented as other short-term financial assets) that are held by the Group for short-term trading and certain derivative financial investments (see Note 12.5). All of these money market funds are publicly traded on stock exchanges in Australia.

12.5 Derivative financial instruments

The Group's derivative financial instruments are measured at fair value and are summarised below:

		2017 $'000	2016 $'000
AASB 7.22(b)	US-Dollar forward contracts – cash flow hedge	467	-
	Other forward exchange contracts – held-for-trading	115	212
	Derivative financial assets	582	212
AASB 7.22(b)	US-Dollar forward contracts – cash flow hedge	-	(160)
	Derivative financial liabilities	-	(160)
		582	**52**

AASB 7.22(a)
AASB 7.22(b)
AASB 7.55(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.

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 forecasted for September to December 2018. All forecast transactions for which hedge accounting has been used are expected to occur.

AASB 7.23(c)

During 2017 a gain of $367,000 (2016: loss of $47,000) was recognised in other comprehensive income. The cumulative gain recorded in equity is $467,000 (2016: cumulative loss of $160,000).

AASB 7.23(d)
AASB 7.23(e)

During 2017 a loss of $260,000 (2016: net gain of $425,000) was reclassified from equity into profit or loss within revenue.

12.6 Borrowings

Borrowings include the following financial liabilities:

		Current			Non-current
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
	Financial liabilities				
AASB 7.8(e)(i)	*Designated at fair value through profit or loss (FVTPL):*				
	• US-Dollar loans	250	255	7,700	7,965
AASB 7.8(f)	*Carrying amount at amortised cost:*				
	• other bank borrowings	4,565	3,124	-	-
	• non-convertible bond	-	-	8,300	8,300
	• subordinated shareholder loan	-	-	5,000	5,000
	• finance lease liabilities (Note 33)	512	506	4,060	4,459
		5,077	**3,630**	**17,360**	**17,759**
AASB 7.8(f)	*Fair value:*				
	• other bank borrowings	4,565	3,124	-	-
	• non-convertible bond	-	-	8,259	8,383
	• subordinated shareholder loan	-	-	4,975	5,050
	• finance lease liabilities	512	506	4,608	5,114
		5,077	**3,630**	**17,842**	**18,547**

AASB 7.25

Other than the US-Dollar loans, all borrowings are denominated in Australian Dollars ($AUD).

US-Dollar loans at fair value through profit or loss (FVTPL)

US-Dollar loans are designated at FVTPL to significantly reduce measurement inconsistencies (see Note 4.17). The interest rate is fixed at 4%. Movements in the carrying amount of these US-Dollar loans are presented below:

		2017 $'000	2016 $'000
	Carrying amount 1 January	8,220	8,380
	Repayments	(300)	(230)
	Change in fair values:	582	212
AASB 7.10(a)	• changes in credit risk	-	-
	• other market factors	30	70
AASB 7.25	**Carrying amount 31 December**	**7,950**	**8,220**

AASB 7.10(a)
AASB 7.11(a)

The cumulative changes since the designation of these borrowings at fair value through profit or loss (FVTPL) attributable to changes in credit risk are $Nil (2016: $Nil). The Group estimates the credit-risk related change in fair value on a residual basis, as the difference between fair value changes specifically attributable to the appropriate benchmark interest rates and the total change in fair value. At year-end the estimate shows an insignificant change attributable to credit risk.

AASB 7.10(b)

The total undiscounted amount repayable at maturity in respect of the loan, converted at year-end exchange rates is $7,755,000 (2016: $8,055,000), equivalent to a difference between the carrying amount and the amount repayable of $195,000 (2016: $165,000).

The fair value of the loans is measured as described in Note 35.1.

Borrowings at amortised cost

AASB 116.74(a)
AASB 7.29
AASB 7.31
AASB 13.93(d)
AASB 13.97

Other bank borrowings are secured by land and buildings owned by the Group (see Note 15). Current interest rates are variable and average 4.0% (2016: 4.1%). The carrying amount of the other bank borrowings is considered to be a reasonable approximation of the fair value.

The Group's non-convertible bond with a fixed interest rate of 5.0% matures on 20 May 2020 and is therefore classified as non-current. The estimated fair value of the non-convertible bond is categorised within Level 2 of the fair value hierarchy. The fair value estimate has been determined from the perspective of a market participant that holds these non-convertible bonds as assets at 31 December 2017. The $8,259 is estimated using a present value technique, by discounting the contractual cash flows using implied yields of non-convertible bonds of pan entity with a similar standing and marketability.

The most significant input being the discount rate that reflects the credit risk of counterparties.

AASB 124.17
AASB 13.93(d)
AASB 13.97

The subordinated shareholder loan was provided by Grant Thornton CLEARR's main shareholder, LOM Investment Trust, in 2014. It is perpetual and carries a fixed coupon of 4.0%. It is repayable only upon liquidation of Grant Thornton CLEARR. The estimated fair value of the subordinated shareholder loan is categorised within Level 3 of the fair value hierarchy. The fair value estimate has been determined using a present value technique. The $4,975 is estimated by discounting the contractual cash flows at 4.1%. The discount rate has been determined using the interest rate that the entity would pay to unrelated party, at the reporting date, adjusted to reflect the subordination feature.

The most significant input is the discount rate of 4.1%.

12.7 Other financial instruments

AASB 7.29

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- trade and other receivables
- cash and cash equivalents; and
- trade and other payables

13 Inventories

Inventories consist of the following:

		2017 $'000	2016 $'000
AASB 101.77			
AASB 101.78(c)	Raw materials and consumables	7,737	7,907
AASB102.36(b)	Merchandise	10,651	9,319
		18,298	**17,226**

AASB 102.36(d)
AASB 102.36(e)

In 2017, a total of $35,265,000 of inventories was included in profit and loss as an expense (2016: $32,907,000). This includes an amount of $361,000 (2016: $389,000) resulting from write down of inventories.

14 Investments accounted for using the equity method

	2017 $'000	2016 $'000
Investment in joint venture	483	222
Investment in associate	377	245
	860	**467**

14.1 Investment in joint venture

AASB 12.21(a)

The Group has one material joint venture, Halftime Ltd (Halftime):

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the group 31 December 2017	31 December 2016
Halftime Ltd	United Kingdom	Online sales of hardware and software products	50%	50%

AASB 12.21(b)(i)

The investment in Halftime is accounted for using the equity method in accordance with AASB 128.

Summarised financial information for Halftime is set out below:

AASB 12.21(b)(ii)
AASB 12.B12-B13

	2017 $'000	2016 $'000
Current assets [a]	528	380
Non-current assets	838	500
Total assets	**1,366**	**880**
Current liabilities [b]	(160)	(138)
Non-current liabilities [c]	(240)	(298)
Total liabilities	**(400)**	**(436)**
a Includes cash and cash equivalents	60	80
b Includes financial liabilities (excluding trade and other payables and provisions)	(80)	-
c Includes financial liabilities (excluding trade and other payables and provisions)	(100)	-
Revenue	1,200	730
Profit for the year	522	258
Other comprehensive income for the year	-	-
Total comprehensive income for the year	522	258
Depreciation and amortisation	30	20
Interest income	1	-
Interest expenses	4	-
Tax expense	**68**	**58**

AASB 12.B14

A reconciliation of the above summarised financial information to the carrying amount of the investment in Halftime is set out below:

	2017 $'000	2016 $'000
Total net assets of Halftime	966	444
Proportion of ownership interests held by the Group	50%	50%
Carrying amount of the investment in Halftime	**483**	**222**

AASB 12.B12(a) No dividends were received from Halftime during the years 2017 and 2016.

AASB 12.21(b)(iii) Halftime is a Private Company; therefore no quoted market prices are available for its shares.

14.2 Investments in associates

AASB 12.21(c)
AASB 12.B16
The Group has a 45% equity interest in Equipe and a 30% equity interest in Shopmore Ltd. Neither associate is individually material to the Group.

Summarised aggregated financial information of the Group's share in these associates:

	2017 $'000	2016 $'000
Profit from continuing operations	130	12
Other comprehensive income	2	-
Total comprehensive income	132	12
Aggregate carrying amount of the Group's interests in associates	**377**	**245**

15 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 2017	7,697	19,362	5,579	2,319	34,957
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
AASB 116.73(e)(viii)	Net exchange differences	(21)	(81)	(79)	(54)	(235)
AASB 116.73(d)	**Balance 31 December 2017**	**8,709**	**20,177**	**7,806**	**2,630**	**39,322**
	Depreciation and impairment					
AASB 116.73(d)	Balance 1 January 2017	-	(12,159)	(1,503)	(898)	(14,560)
AASB 116.73(e)(ii)	Disposals	-	315	-	-	315
AASB 116.73(e)(viii)	Net exchange differences	-	(54)	(53)	(36)	(143)
AASB 116.73(e)(vii)	Depreciation	-	(1,315)	(890)	(530)	(2,735)
AASB 116.73(d)	**Balance 31 December 2017**	**-**	**(13,213)**	**(2,446)**	**(1,464)**	**(17,123)**
	Carrying amount 31 December 2017	**8,709**	**6,964**	**5,360**	**1,166**	**22,199**

		Land $'000	Buildings $'000	IT equipment $'000	Other equipment $'000	Total $'000
	Gross carrying amount					
AASB 116.73(d)	**Balance 1 January 2016**	**7,697**	**23,067**	**4,316**	**966**	**36,046**
AASB 116.73(e)(i)	Additions	-	1,001	1,390	890	3,281
AASB 116.73(e)(iii)	Acquisition through business combination	-	-	2,310	838	3,148
AASB 116.73(e)(ii)	Held for sale or included in disposal group	-	(4,598)	(2,422)	(348)	(7,368)
AASB 116.73(e)(viii)	Net exchange differences	-	(108)	(15)	(12)	(135)
AASB 116.73(d)	**Balance 31 December 2016**	**7,697**	**19,362**	**5,579**	**2,334**	**34,972**

		Land $'000	Buildings $'000	IT equipment $'000	Other equipment $'000	Total $'000
	Depreciation and impairment					
AASB 116.73(d)	**Balance 1 January 2016**	**-**	**(12,944)**	**(1,805)**	**(551)**	**(15,300)**
AASB 116.73(e)(viii)	Net exchange differences	-	(72)	(10)	(8)	(90)
AASB 116.73(e)(ii)	Held for sale or included in disposal group	-	3,200	990	200	4,390
AASB 116.73(e)(vii)	Depreciation	-	(2,343)	(678)	(554)	(3,575)
AASB 116.73(d)	**Balance 31 December 2016**	**-**	**(12,159)**	**(1,503)**	**(913)**	**(14,575)**
	Carrying amount 31 December 2016	**7,697**	**7,203**	**4,076**	**1,421**	**20,397**

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 12.6).

AASB 116.74(c)

The Group has a contractual commitment to acquire IT equipment of $1,304,000 payable in 2018. There were no other material contractual commitments to acquire property, plant and equipment at 31 December 2017 (2016: None).

AASB 116.77(e)
AASB 116.77(f)

If the cost model had been used, the carrying amounts of the revalued land, including the fair value adjustment upon acquisition of Goodtech, would be $7,421,000 (2016: $6,712,000). The revalued amounts include a revaluation surplus of $1,288,000 before tax (2016: $985,000).

16 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 2016**	**12,102**
AASB 140.76(e)	Net exchange differences	25
AASB 140.76(d)	Net gain / (loss) from fair value adjustments	150
AASB 140.76	**Carrying amount 31 December 2016**	**12,277**
AASB 140.76(b)	Additions through business combinations	75
AASB 140.76(e)	Net exchange differences	22
AASB 140.76(d)	Net gain / (loss) from fair value adjustments	288
AASB 140.76	**Carrying amount 31 December 2017**	**12,662**

AASB 140.75(g)

Investment properties valued at $8,327,000 are pledged as security for related borrowings.

AASB 140.75(f)
AASB 117.56(b)

Investment properties are leased out on operating leases. Rental income amounts to $1,066,000 (2016: $1,028,000) included within revenue. Direct operating expenses of $213,000 (2016: $206,000) were reported within other expenses, of which $18,000 (2016: $12,000) was incurred on vacant properties that did not generate rental income.

AASB 117.56(c)
AASB 117.56(a)

The lease contracts are all non-cancellable for eight (8) years from the commencement of the lease. Future minimum lease rentals are as follows:

		Minimum lease payments due			
		Within 1 year $'000	1-5 years $'000	After 5 years $'000	Total $'000
AASB 117.56(a)	31 December 2017	1,075	5,375	2,090	8,540
	31 December 2016	1,030	5,150	1,978	8,158

17 Deferred tax assets and liabilities

AASB 112.81(g)

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

Deferred tax liabilities / (assets)	1 January 2017 $'000	Recognised in other comprehensive income $'000	Recognised in business combination $'000	Recognised in profit and loss $'000	31 December 2017 $'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					
Pension and other employee obligations	-	-	-	-	-
Current liabilities					
Provisions	(1,003)	-	-	639	(364)
Pension and other employee obligations	(4,451)	1,149	-	(188)	(3,490)
Unused tax losses	(75)	-	-	75	-
	(901)	**1,064**	**632**	**1,112**	**1,907**

Deferred tax liabilities / (assets)	1 January 2016 $'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 2016 $'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						
Pension and other employee obligations	-	-		-	-	-
Current liabilities						
Provisions	(1,320)	-		-	243	(1,003)
Pension and other employee obligations	(2,996)	(1,062)		-	(393)	(4,451)
Unused tax losses	(300)	-		-	225	(75)
	(852)	**(1,157)**		**435**	**599**	**(901)**

The amounts recognised in other comprehensive income relate to revaluation of land, exchange differences on translating foreign operations and the re-measurement of net defined benefit liability. See Note 24.2 for the amount of the income tax relating to these components of other comprehensive income.

AASB 112.81(f) A deferred tax liability of $1,000 (2016: $2,000) associated with an investment in a domestic subsidiary has not been recognised, as the Group controls the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future. The tax value is equivalent to a temporary difference of $3,000 (2016: $7,000).

AASB 112.81(e) All deferred tax assets (including tax losses and other tax credits) have been recognised in the statement of financial position.

18 Goodwill

AASB 3.B67(d)

The movements in the net carrying amount of goodwill are as follows:

		2017 $'000	2016 $'000
AASB 3.B67(d)	**Gross carrying amount**		
AASB 3.B67(d)(i)	**Balance 1 January**	**3,727**	**1,234**
AASB 3.B67(d)(ii)	Acquired through business combination	2,438	2,569
AASB 3.B67(d)(vi)	Net exchange difference	(135)	(76)
AASB 3.B67(d)(viii)	**Balance 31 December**	**6,030**	**3,727**
	Accumulated impairment		
AASB 3.B67(d)(i)	**Balance 1 January**	**(190)**	**-**
AASB 3.B67(d)(v)	Impairment loss recognised	(799)	(190)
AASB 3.B67(d)(vi)	Net exchange difference	-	-
AASB 3.B67(d)(viii)	**Balance 31 December**	**(989)**	**(190)**
	Carrying amount at 31 December	**5,041**	**3,537**

18.1 Impairment testing

AASB 136.134

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

		2017 $'000	2016 $'000
AASB 136.134(a)	Retail	4,796	2,493
	Consulting	245	1,044
	Goodwill allocation at 31 December	**5,041**	**3,537**

AASB 136.134(c)
AASB 136.134(d)

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate.

		Growth rates		Discount rates	
		2017	2016	2017	2016
AASB 136.134(d)(iv)	Retail	3.0%	3.0%	9.3%	9.5%
AASB 136.134(d)(v)	Consulting	0.1%	0.5%	10.9%	10.1%

18.2 Growth rates

The growth rates reflect the long-term average growth rates for the product lines and industries of the segments (all publicly available). The growth rate for online retailing exceeds the overall long-term average growth rates for Australia because this sector is expected to continue to grow at above-average rates for the foreseeable future.

18.3 Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each unit.

18.4 Cash flow assumptions

AASB 136.134(d)(i)
AASB136.134(d)(ii)

Retail segment

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins achieved immediately before the budget period. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

AASB 136.130(a)
AASB 136.130(d)
AASB 136.134(d)(i)
AASB 136.134(d)(ii)

Consulting

The forecast was adjusted in 2017 for the decline in consulting services related to conventional telecommunication solutions. The market shifted considerably towards internet and intranet based solutions during 2016 and continued in 2017. As a result, management expects lower growth and moderately declining profit margins for this segment.

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

Impairment testing, taking into account these latest developments, resulted in the further reduction of goodwill in 2017 to its recoverable amount. See Note 19 for the related impairment of other intangible assets.

The related goodwill impairment loss of $799,000 in 2017 (2016: $190,000) was included within impairment of non-financial assets

AASB 3.B64(m)

Apart from the considerations described in determining the value-in-use of the cash-generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the estimate of recoverable amount for the consulting unit is particularly sensitive to the discount rate. If the discount rate used is increased by 1%, a further impairment loss of $300,000 would have to be recognised, of which $245,000 would be written off against goodwill and $55,000 against property, plant and equipment.

19 Other intangible assets

Details of the Groups 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 2017	**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)
AASB 138.118(e)(vii)	Net exchange differences	(73)	(54)	-	-	(127)
	Balance at 31 December 2017	**16,469**	**18,046**	**975**	**1,761**	**37,251**
	Amortisation and impairment					
	Balance at 1 January 2017	**(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
AASB 138.118(e)(vii)	Net exchange differences	(48)	(36)	-	-	(84)
	Balance at 31 December 2017	**(7,739)**	**(11,602)**	**(287)**	**(199)**	**(19,827)**
	Carrying amount 31 December 2017	**8,730**	**6,444**	**688**	**1,562**	**17,424**

		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 2016	**8,672**	**14,600**	**-**	**-**	**23,272**
AASB 138.118(e)(i)	Addition, separately acquired	3,097	-	-	-	3,097
	Addition, internally developed	-	216	-	-	216
	Acquisition through business combination	1,859	-	768	378	3,005
AASB 138.118(e)(vii)	Net exchange differences	(20)	(22)	(8)	(4)	(54)
	Balance at 31 December 2016	**13,608**	**14,794**	**760**	**374**	**29,536**
	Amortisation and impairment					
	Balance at 1 January 2016	**(4,442)**	**(8,166)**	-	**-**	**(12,608)**
AASB 138.118(e)(vi)	Amortisation	(1,607)	(1,201)	(156)	(87)	(3,051)
AASB 138.118(e)(vii)	Net exchange differences	(14)	(14)	(6)	(2)	(36)
	Balance at 31 December 2016	**(6,063)**	**(9,381)**	**(162)**	**(89)**	**(15,695)**
	Carrying amount 31 December 2016	**7,545**	**5,413**	**598**	**285**	**13,841**

AASB 138.126

Additions to internally developed software include capitalised borrowing costs of $80,000 (2016: $78,000). In addition, research and development costs of $1,690,000 (2016: $1,015,000) were recognised as other expenses.

AASB 136.130(b)
AASB 136.130(c)(i)
AASB 136.130(c)(ii)
AASB 136.130(a)
AASB 136.130(e)
AASB 136.130(g)

An impairment loss of $870,000 (2016: $Nil) was recognised for internally developed software used to provide certain after-sales and maintenance services within the consulting unit. The recoverable amount of the asset is its value-in-use, determined based on management's expectation that the market will shift considerably towards other alternative software products and will significantly reduce future revenues and profits in the next two (2) to three (3) years (see Note 18 for the growth and discount rates used). Should the shift in the market to other software products occur more rapidly, the carrying amount of the software of $100,000 (2016: $970,000) would be reduced to $Nil.

AASB 138.122(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 2018. No other material contractual commitments at 31 December 2017 (2016: None).

20 Trade and other payables

Trade and other payables consist of the following:

	2017 $'000	2016 $'000
Trade and other payables		
Current:		
• trade payables	7,843	6,472
• other payables	654	78
Total trade and other payables	**8,497**	**6,550**

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

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

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 2017**	**2,110**	**1,235**	**3,345**
AASB 137.84(b)	Additional provisions	-	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 2017**	**724**	**491**	**1,215**

Provisions recognised at acquisition date in a business combination are included in additions (see Note 31.1). Provisions classified as held for sale are included within amount utilised (see Note 9).

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

The provision for restructuring relates to the Phoenix Program, which was initiated in early 2015 and carried out predominantly in 2016 and 2017. The Group's management expects to settle the remaining termination remuneration for former employees and legal fees relating to the restructuring program in 2018. 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 2017 was reduced due to the outcome of several lawsuits brought against the Group during 2017 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 2017 related to claims initiated in 2016 that were settled during 2017. 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 2017.

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 Employee remuneration

22.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

		2017 $'000	2016 $'000
	Employee benefits – expense		
AASB 119.142	Wages, salaries	96,483	91,168
	Social security costs	11,229	10,608
AASB 2.51(a)	Share-based payments	298	466
	Pensions - Defined Benefit Plans	1,308	3,030
AASB 119.46	Pensions - Defined Contribution Plans	4,491	4,243
	Employee benefits expense	**113,809**	**109,515**

22.2 Share-based employee remuneration

As at 31 December 2017 the Group maintained two share-based payment schemes for employee remuneration, the Star Program and the Stay Program. Both programs will be settled in equity.

AASB 2.45(a) The Star Program is part of the remuneration package of the Group's Senior Management. Options under this program will vest if certain conditions, as defined in the program, are met. It is based on the performance of Grant Thornton CLEARR's shares compared to other companies in the Australian Securities Exchange within a specified period.

In addition, participants in this program 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 Program is part of the remuneration package of the Group's research and development and sales personnel. Options under this program will vest if the participant remains employed for the agreed vesting period. The maximum term of the options granted under the Stay Program ends on 4 January 2020. 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 Program		Stay Program	
	Number of shares	**Weighted average exercise price ($)**	**Number of shares**	**Weighted average exercise price ($)**
Outstanding at 1 January 2016	**300,000**	**6.24**	**95,250**	**5.81**
Granted	-	-	-	-
Forfeited	(513)	6.24	(1,012)	5.81
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 31 December 2016	**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 2017	**129,175**	**7.45**	**90,749**	**5.81**
Exercisable at 31 December 2016	**-**	**-**	**-**	**-**
Exercisable at 31 December 2017	**29,175**	**6.24**	**-**	**-**

AASB 2.45(c)

The weighted average share price at the date of exercise was $11.19 (no options were exercised in 2017).

AASB 2.47(a)(i)

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 Program, being a market condition, has been incorporated into the measurement by means of actuarial modelling.

The following principal assumptions were used in the valuation:

AASB 2.47

Valuation assumptions		**Star Program**	**Stay Program**
Grant date	1 January 2014	1 February 2017	5 January 2013
Vesting period ends	31 December 2016	31 January 2020	1 January 2018
Share price at date of grant	8.00	10.01	7.00
Volatility	50.00%	50.00%	50.00%
Option life	5 years	5 years	7 years
Dividend yield	1.00%	1.00%	1.00%
Risk free investment rate	4.00%	4.00%	4.00%
Fair value at grant date	4.00	6.70	5.30
Exercise price at date of grant	6.24	7.81	5.81
Exercisable from	1 January 2017	1 February 2020	1 February 2018
Exercisable to	31 December 2018	31 December 2021	4 January 2020
Weighted average remaining contractual life	1.0 years	4.0 years	2.0 years

AASB 2.45(d)

AASB 2.47(a)(ii)
AASB 2.47(a)(iii)

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time. No special features inherent to the options granted were incorporated into measurement of fair value.

AASB 2.51

In total, $298,000 (2016: $466,000) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to share option reserve.

22.3 Employee benefits

The liabilities recognised for employee benefits consist of the following amounts:[10]

	2017 $'000	2016 $'000
Employee benefits – liabilities		
Non-current		
• defined benefit plans (net)	10,386	13,642
Current:		
• defined benefit plans	1,246	1,193
• accrued annual leave	221	303
Current pension and other employee obligations	**1,467**	**1,496**

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 2018.

Defined benefit plan

AASB 119.139(a)

The Group has set up a partly funded pension scheme for mid to senior management, mainly in Australia, the UK and the US. The scheme is available to certain senior workers after completing five years' service.

According to the plan, a certain percentage of the current salary is converted into a pension component each year until retirement. Pensions under this scheme are paid out when a beneficiary has reached the age of 65. The pensionable salary is limited to $100,000 for a year. Eligible employees are required to contribute a stated percentage of pensionable salary.

In Australia and the UK, the pension payments are linked to the Consumer Price Index (CPI), although certain limitations apply.

AASB 119.139(a)

The plan assets are managed by a pension fund that is legally separated from the Group. The Board of Trustees of the pension fund is required by its articles of association to act in the best interest of the fund and it is responsible for setting the investment policies. The Group has no representation on the Board of the fund.

The plan exposes the Group to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields on high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the Defined Benefit Obligation (DBO) and it is denominated in $AUD. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.

Investment risk

The plan assets at 31 December 2017 are predominantly real estate, equity and debt instruments. The fair value of the plan assets is exposed to the real estate market (in Australia and the US). The equity instruments are significantly weighted towards the finance and pharmaceuticals sectors in Australia.

[10] 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.

Longevity risk

The Group is required to provide benefits for life for the members of the defined benefit liability. Increase in the life expectancy of the members, particularly in Australia and in the UK where the pension payments are linked to CPI, will increase the defined benefit liability.

Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

A reconciliation of the Group's Defined Benefit Obligation (DBO) and plan assets to the amounts presented in the statement of financial position for each of the reporting periods is presented below:

		2017 $'000	2016 $'000
AASB 119.140	Defined Benefit Obligations	53,874	47,410
	Fair value of planned assets	(42,242)	(32,575)
		11,632	**14,835**
	Classified as:		
	• current liability	1,246	1,193
	• non-current liability	10,386	13,642

Defined Benefit Obligation (DBO)

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

		2017 $'000	2016 $'000
AASB 119.140(a)(ii)	Defined Benefit Obligation 1 January	47,410	38,889
AASB 119.141(a)	Current service cost	1,308	1,530
AASB 119.141(b)	Interest cost	2,488	2,267
AASB 119.141(f)	Contributions by plan participants	658	650
AASB 119.141(c)(ii)	Re-measurement – actuarial losses from changes in demographic assumptions	916	1,091
AASB 119.141(c)(iii)	Re-measurement – actuarial losses from changes in financial assumptions	2,345	2,670
AASB 119.141(g)	Benefits paid	(1,251)	(1,187)
AASB 119.141(d)	Past service costs	-	1,500
AASB 119.141(a)(ii)	**Defined Benefit Obligation 31 December**	**53,874**	**47,410**
AASB 119.138(e)	Thereof:		
	• unfunded	-	-
	• partly or wholly funded	53,874	47,410

Plan assets

The reconciliation of the balance of the assets held for the Group's Defined Benefit Plan is presented below:

		2017 $'000	2016 $'000
AASB 119.140(a)(i)	**Fair value of plan assets 1 January**	**32,575**	**29,901**
AASB 119.141(b)	Interest income	1,983	1,718
AASB 119.141(c)(i)	Return on plan assets (excluding amounts included in net interest)	7,091	220
AASB 119.141(f)	Contributions by the Group	1,186	1,273
AASB 119.141(f)	Contributions by beneficiaries	658	650
AASB 119.141(g)	Benefits paid	(1,251)	(1,187)
AASB 119.140(a)(i)	**Fair value of plan assets 31 December**	**42,242**	**32,575**

The actual return on plan assets was $9,074 in 2017 (2016: $1,938).

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	
		2017 $'000	2016 $'000
AASB 119.142(a)	Cash and cash equivalents	3,442	2,075
AASB 119.142(b)	Equity instruments:		
	• financial institutions	9,800	7,600
	• pharmaceuticals	8,100	4,300
	• oil and gas industry	1,600	1,700
	• manufacturing industry	1,500	1,200
	Equity instruments total	**21,000**	**14,800**
AASB 119.142(c)	Debt instruments:		
	• Australian government bonds	4,800	5,800
	• corporate bonds (rated AA and above)	3,100	5,600
	Debt instruments total	**7,900**	**11,400**
	Real estate:		
	• Australia	6,700	2,500
	• United States	3,200	1,800
	Real estate total	**9,900**	**4,300**
	Total	**42,242**	**32,575**

AASB 119.142 All equity and debt instruments have quoted prices in active markets (Level 1). Fair values of real estate investments do not have quoted prices and have been determined based on professional appraisals that would be classified as Level 3 of the fair value hierarchy as defined in AASB 13 *Fair Value Measurement*.

AASB 119.138(a) The defined benefit obligation and plan assets are composed by geographical locations as follows:

	Australia 2017 $'000	UK 2017 $'000	US 2017 $'000	Others 2017 $'000	Total 2017 $'000
Defined benefit obligation	24,482	17,321	11,529	542	53,874
Fair value of plan assets	(18,586)	(13,057)	(10,427)	(172)	(42,242)
	5,896	**4,264**	**1,102**	**370**	**11,632**

	Australia	UK	US	Others	Total

	2016 $'000	2016 $'000	2016 $'000	2016 $'000	2016 $'000
Defined benefit obligation	21,594	15,063	10,256	497	47,410
Fair value of plan assets	(14,123)	(9,748)	(8,553)	(151)	(32,575)
	7,471	**5,315**	**1,703**	**346**	**14,835**

The significant actuarial assumptions used for the valuation are as follows[11]:

	2017	2016
Discount rate at 30 June	5.3%	5.5%
Salary growth rate	3.0%	3.2%
Average life expectancies:		
• male, 45 years of age at reporting date	84.5	84.5
• female, 45 years of age at reporting date	87.5	87.5
• male, 65 years of age at reporting date	82.5	82.5
• female, 65 years of age at reporting date	84.5	84.5

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.

AASB 119.67

The present value of the DBO was measured using the projected unit credit method.

AASB 119.120

Defined benefit plan expenses

Amounts recognised in profit or loss related to the Group's defined benefit plans, are as follows:

		2017 $'000	2016 $'000
AASB 119.120(a)	Current service cost	1,308	1,530
AASB 119.120(a)	Past service cost	-	1,500
AASB 119.120(b)	Net interest expense	505	549
	Total expenses recognised in profit or loss	**1,813**	**3,579**

AASB 119.134

The current service cost and the past service cost are included in employee benefits expense. The net interest expense is included in finance costs.

AASB 119.120

Amounts recognised in other comprehensive income related to the Group's defined benefit plans are as follows:

		2017 $'000	2016 $'000
AASB 119.127(a)	Actuarial losses from changes in demographic assumptions	(916)	(1,091)
AASB 119.127(a)	Actuarial losses from changes in financial assumptions	(2,345)	(2,670)
AASB 119.127(b)	Return on plan assets (excluding amounts included in net interest)	7,091	220
	Total income / (expenses) recognised in other comprehensive income	**3,830**	**(3,541)**

AASB 119.122

All the expenses summarised above were included within items that will not be reclassified subsequently to profit or loss in the statement of other comprehensive income.

[11] For the purposes of these Example Financial Statements, it is assumed that the significant actuarial assumptions for the different geographical locations are the same. In practice, it is likely that there will be differences in the significant actuarial assumptions in different geographical locations, which will require their disclosure.

Other defined benefit plan information

AASB 117.147(a) Employees of the Group are required to contribute a fixed 5% of the pensionable salary. The remaining contribution is partly funded by the Group's subsidiaries. The funding requirements are based on the pension fund's actuarial measurement framework as set out in the funding policies.

AASB 119.147(b) Based on historical data, the Group expects contributions of $2,500,000 to be paid for 2018.

AASB 119.147(c) The weighted average duration of the defined benefit obligation at 31 December 2017 is 23.3 years (2016: 23.2 years).

AASB 119.144
AASB 119.173(b)
AASB 119.145(a)

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 31 December 2017.

Changes in the significant actuarial assumptions

Discount rate	**Increase to 6.3%**	**Decrease to 4.3%**
Increase / (decrease) in the defined benefit liability	(2,000)	2,100
Salary growth rate	**Increase to 4.0%**	**Decrease to 2%**
Increase / (decrease) in the defined benefit liability	950	(780)
Average life expectancies of males	**Increase of one year**	**Decrease of one year**
Increase / (decrease) in the defined benefit liability	1,140	(930)
Average life expectancies of females	**Increase of one year**	**Decrease of one year**
Increase / (decrease) in the defined benefit liability	1,280	(1,090)

AASB 119.145(b) The present value of the defined benefit obligation calculated with the same method (project unit credit) as the defined benefit obligation recognised in the statement of financial position. The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

23 Other liabilities

Other liabilities consist of the following:

	2017 $'000	2016 $'000
Other liabilities		
Due to customers for construction contract work	288	207
Advances received for construction contract work	225	1,220
Deferred service income	2,123	3,291
Other	22	1,657
Deferred gain	100	100
Other liabilities – current	**2,758**	**6,475**
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 2008. The excess of proceeds received over fair value was deferred and is being amortised over the lease term of 15 years. In 2017, deferred income of $100,000 (2016: $100,000) was recognised in profit or loss relating to this transaction. The subsequent leasing agreement is treated as an operating lease (see Note 33.2). The non-current part of the deferred gain will be amortised between 2017 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 2017 of 32 months (2016: 38 months) and constant service activity over the remaining term, the Group expects to amortise $796,000 of deferred service income during 2017 (2016: $1,039,000), and $1,327,000 after that time (2016: $2,252,000).

The amounts recognised in respect of construction contracts will generally be utilised within the next reporting period (see Note 11.1).

24 Equity

24.1 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.

		2017 Shares	2016 Shares	2017 $'000	2016 $'000
AASB 101.79(a)(iv)	Shares issued and fully paid:				
	• beginning of the year	12,000,000	12,000,000	15,050	15,050
	• issued under share-based payments	270,000	-	1,685	-
	• share issue	1,500,000	-	16,680	-
AASB 101.79(a)(i)	**Total contributed equity at 31 December**	**13,770,000**	**12,000,000**	**33,415**	**15,050**

Additional shares were issued during 2017 relating to share-based payments (see Note 22.2 for details on the Group's share-based employee remuneration schemes). The Group issued 1,500,000 shares on 30 September 2017, 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 programs (see Note 22.2).

24.2 Other components of equity

The details of other reserves are as follows:

		Foreign currency translation reserve $'000	Revaluation reserve $'000	AFS financial assets reserve $'000	Cash flow hedges reserve $'000	Actuarial adjustments on defined benefit plans[12] $'000	Total $'000
AASB 101.106(d)(i)							
AASB 101.106A	**Balance at 1 January 2016**	**(113)**	**689**	**-**	**312**	**1,617**	**2,505**
	OCI for the year (all attributable to the parent):						
AASB 119.120(c)	Re-measurement of net defined benefit liability	-	-	-	-	(3,541)	(3,541)
	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)**	**(3,541)**	**(4,319)**
AASB 101.90	Tax benefit	95	-	-	-	1,062	1,157
	Net of tax	(246)	-	35	(472)	(2,479)	(3,162)
	Balance at 31 December 2016	**(359)**	**689**	**35**	**(160)**	**(862)**	**(657)**

12 The revised version of AASB 119 *Employee Benefits* does not mandate where to present re-measurements in equity. Accordingly, while it is preferable to recognise re-measurements directly in retained earnings, we believe it is also acceptable to recognise such re-measurements in a separate component of equity as illustrated in this set of **Example Financial Statements**.

AASB 101.106(d)(i)		Foreign currency translation reserve $'000	Revaluation reserve $'000	AFS financial assets reserve $'000	Cash flow hedges reserve $'000	Actuarial adjustments on defined benefit plans[13] $'000	Total $'000
AASB 101.106A	**Balance at 1 January 2017**	**(359)**	**689**	**35**	**(160)**	**(862)**	**(657)**
	OCI for the year (all attributable to the parent):						
AASB 119.120(c)	Re-measurement of net defined benefit liability	-	-	-	-	3,830	3,830
	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)
	Revaluation of land	-	303	-	-	-	303
AASB 121.52(b)	Exchange differences on translating foreign operations	(664)	-	-	-	-	(664)
	Equity accounted investments	-	-	-	5	-	5
	• reclassification to profit or loss	-	-	-	(3)	-	(3)
AASB 101.91(b)	**Before tax**	**(664)**	**303**	**63**	**629**	**3,830**	**4,161**
AASB 101.90	Tax benefit / (expense)	176	(91)	-	-	(1,149)	(1,064)
	Net of tax	**(488)**	**212**	**63**	**629**	**2,681**	**3,097**
	Balance at 31 December 2017	**(847)**	**901**	**98**	**469**	**1,819**	**2,440**

[13] The revised version of AASB 119 *Employee Benefits* does not mandate where to present re-measurements in equity. Accordingly, while it is preferable to recognise re-measurements directly in retained earnings, we believe it is also acceptable to recognise such re-measurements in a separate component of equity as illustrated in this set of **Example Financial Statements**.

25 Earnings per share and dividends

25.1 Earnings per share

AASB 133.70(a)

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Grant Thornton CLEARR) as the numerator (i.e. no adjustments to profit were necessary in 2017 or 2016).

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

		2017	2016
	Amounts in thousand shares:		
	• weighted average number of shares used in basic earnings per share	12,520	12,000
AASB 133.70(b)	• shares deemed to be issued for no consideration in respect of share based payments	17	21
	Weighted average number of shares used in diluted earnings per share	**12,537**	**12,021**

25.2 Dividends

Dividends paid and proposed

		2017 $'000	2016 $'000
AASB 101.107	Dividends declared during the year:		
	• fully franked interim dividend ($0.25 per share)	3,000	-
	Remuneration for audit and review of financial statements	**3,000**	**-**

The tax rates applicable to the franking credits attached to the interim dividend and to be attached to the final dividend is 30% (2016: 30%).

AASB 101.137(a)
AASB 112.81(i)

Also during 2017, the Directors proposed the payment of a dividend of $6,885,000 ($0.50 per share). As the distribution of dividends by Grant Thornton CLEARR requires approval at the shareholders' meeting, no liability in this respect is recognised in the 2017 consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the level of Grant Thornton CLEARR.

25.3 Franking credits

		Parent	
		2017 $'000	2016 $'000
AASB 1054.13	The amount of the franking credits available for subsequent reporting periods are:		
	• balance at the end of the reporting period	2,450	3,523
	• franking credits that will arise from the payment of the amount of provision for income tax	408	294
	• franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	-	-
	• franking credits that will arise from the receipt of dividends recognised as receivables at the end of reporting period	-	-
		2,858	**3,817**

26 Reconciliation of cash flows

26.1 Reconciliation of cash flows from operating activities

AASB 1054.16

	2017 $'000	2016 $'000
Reconciliation of cash flows from operating activities		
Cash flows from operating activities		
Profit for the period	15,473	13,246
Adjustments for:		
• depreciation, amortisation and impairment	7,942	6,826
• FV gains on financial assets / derivatives	(219)	373
• defined benefits plan adjustment	465	707
• changes in fair value of investment property	(310)	(175)
• share of profit of equity accounted investments	(60)	(12)
• bad debt expense	72	864
• foreign exchange differences	(937)	(1,164)
• acquisition costs included in investing	223	76
• return on plan assets	(2,445)	(2,417)
• net interest and dividends received included in investing and financing	221	439
• tax expense included in investing	244	140
Net changes in working capital:		
• change in inventories	7,823	6,764
• change in trade and other receivables	(281)	(573)
• change in other assets	(496)	547
• change in trade and other payables	(2,841)	(2,856)
• change in other employee obligations	(82)	23
• change in deferred tax	1,215	971
• change in provisions	(40)	(2,825)
Net cash from operating activities	**25,967**	**20,954**

AASB 107.43

In 2017, the Group acquired Goodtech (see Note 31.1). 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 (2016: $Nil) are non-cash transactions excluded from the statement of cash flows.

26.2 Reconciliation of liabilities arising from cash flows from financing activities

AASB 107.44A

	2016	Cash flows			Non-cash movements		2017
	$'000	Proceeds $'000	Repayments $'000	Interest Paid $'000	Fair Value Movement $'000	Interest Expense $'000	$'000
Borrowings	29,609	1,441	(3,778)	(1,015)	3,115	1,015	30,387

27 Auditor remuneration

		2017 $	2016 $
CA 300(11Ba) / (11Ca)			
AASB 1054.10a	**Audit and review of financial statements**		
AASB 112.85	• auditors of Grant Thornton CLEARR - Grant Thornton Australia	220,000	196,000
	• overseas Grant Thornton network firms	95,000	78,000
	Remuneration for audit and review of financial statements	**315,000**	**274,000**
AASB 1054.10b	**Other services**		
	Auditors of Grant Thornton CLEARR – Grant Thornton Australia:		
	• taxation compliance	25,700	24,900
	Overseas Grant Thornton network firms:		
	• due diligence services	73,590	85,450
	Total other services remuneration	**99,290**	**110,350**
	Total auditor's remuneration	**414,290**	**384,350**

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 12.6 for information on terms and conditions), on which interest of $200,000 (2016: $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 124.16(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 2017, Equipe Consultants S.A. provided services valued at $568,000 (2016: $590,000). The outstanding balance of $20,000 (2016: $22,000) 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)

During 2017, Halftime Ltd provided services valued at $10,000 (2016: $3,000). There is no outstanding balance as at 31 December 2017 (2016: $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:

		2017 $	2016 $
AASB 124.17(a)	Short term employee benefits:		
	• salaries including bonuses	2,320,000	2,115,000
	• social security costs	70,000	34,000
	• company car allowance	220,000	190,000
	Total short term employee benefits	**2,610,000**	**2,339,000**
AASB 124.17(c)	Long service leave	100,000	95,000
	Total other long-term benefits	**100,000**	**95,000**
AASB 124.17(b)	Post-employment benefits:		
	• defined benefit pension plans	312,000	299,000
	• defined contribution pension plans	25,000	12,000
	Total post-employment benefits	**337,000**	**311,000**
AASB 124.17(d)	**Termination benefits**	**100,000**	**-**
AASB 124.17(e)	**Share-based payments**	**103,000**	**175,000**
	Total remuneration	**3,250,000**	**2,920,000**

AASB 124.17

During 2017, certain key management personnel exercised share options with total exercise price of $1,685,000 (2016: $Nil) granted in the Group's Star Program.

AASB 124.17(a) & (b)
AASB 124.18(a) & (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.

The table below explains the Group's loans to key management personnel during 2017 and 2016 financial years.

	2017 $	2016 $
Beginning of the year	1,000	3,000
Loans advanced	40,000	38,000
Loan repayment received	40,000	40,000
Interest charged	-	-
Interest received	-	-
End of year	**1,000**	**1,000**

AASB 124.18(c)
AASB 124.18(d)

The Group does not have an allowance account for receivables relating to outstanding loans and has not recognised any expense for impaired receivables during 2017 or 2016 financial years.

AASB 124.18(b)(i)

The loans to key management personnel are generally for a period of two years and are repayable on quarterly instalments. These loans are unsecured and interest free.

AASB 124.18

During 2017, 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 (2016: $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 22.3).

29 Contingent liabilities

AASB 101.14(d)(i)
AASB 137.89

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 Capital commitments

AASB 116.74c
AASB 140.75h
AASB 138.122e

	2017 $'000	2016 $'000
Property, plant and equipment	1,304	190
Investment property	-	-
Intangible assets	97	-
	1,401	**190**

Capital commitments relate to items of plant and IT equipment where funds have been committed but the assets not yet received.

31 Acquisitions and disposals

31.1 Acquisition of Goodtech Ltd

AASB 3.B64(a-d)

On 31 March 2017, the Group acquired 100% of the equity instruments of Goodtech Ltd (Goodtech), a Brisbane based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the online 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)(i)	**Fair value of consideration transferred**	
AASB 3.B64(f)(iii)	Amount settled in cash	16,058
AASB 107.40(a)	Fair value of contingent consideration	600
	Total	**16,658**
AASB 3.B64(i), AASB 107.40(d)	**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**
AASB 107.40(b)	Consideration transferred settled in cash	16,058
AASB 107.40(c)	Cash and cash equivalents acquired	(567)
AASB 107.42	**Net cash outflow on acquisition**	**15,491**
	Acquisition costs charged to expenses	223
	Net cash paid relating to the acquisition	**15,714**

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 2016 and 2017 exceed a target level agreed by both parties. The additional consideration will be paid on 1 April 2019. 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%.[14]

As at 31 December 2017, 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 profit or loss and other comprehensive income, as part of other expenses

Identifiable net assets

AASB 3.B64(h)(i-iii)

The fair value of the trade and other receivables acquired as part of the business combination amounted to $7,792,000, with a gross contractual amount of $7,867,000. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to $75,000.

Goodwill

AASB 3.67(e)
AASB 136.133
AASB 3.B64(k)

Goodwill of $2,438,000 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Goodtech's workforce and expected cost synergies. Goodwill has been allocated to cash-generating units at 31 December 2017. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Goodtech's contribution to the group results

AASB 3.B64 (q)(i-iii)

Goodtech incurred a loss of $20,000 for the nine months from 31 March 2017 to the reporting date, primarily due to integration costs. If Goodtech had been acquired on 1 January 2017, revenue of the Group for 2017 would have been $212 million, and profit for the year would have increased by $350,000.

31.2 Acquisition of Good Buy Inc.

AASB 3.B64(i)

On 30 June 2016, 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 an online retailer for computer and telecommunication hardware in the US market.

[14] 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.

The details of the business combination are as follows:

		$'000
AASB 3.B64(f)(i)	Fair value of consideration transferred	
AASB 3.B64(f)(iii)	Amount settled in cash	16,058
AASB 107.40(a)	Fair value of contingent consideration	600
	Total	**16,658**
AASB 3.B64(i), AASB 107.40(d)	**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
AASB 107.40(b)	Consideration transferred settled in cash	16,058
AASB 107.40(c)	Cash and cash equivalents acquired	(567)
AASB 107.42	**Net cash outflow on acquisition**	**15,491**
	Acquisition costs charged to expenses	223
	Net cash paid relating to the acquisition	**15,714**

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 profit or loss and other comprehensive income, as part of 'other expenses'.

Identifiable net assets

AASB 3.B64(h)(i-iii) The fair value of the trade and other receivables acquired as part of the business combination amounted to $5,200,000, with a gross contractual amount of $5,350,000. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to $150,000.

Goodwill

AASB 3.67
AASB 136.133
AASB 3.B64(e)

Goodwill of $2,569,000 is primarily related to the sales force and the sales know-how of key personnel of Good Buy. Goodwill has been allocated to the retail segment and is not expected to be deductible for tax purposes.

Good Buy's contribution to the Group results

AASB 3.B64(q(ii))

Good Buy contributed $400,000 to the consolidated profit for the six months from 1 July 2016 to 31 December 2016. If Good Buy had been acquired on 1 January 2016, revenue of the Group for 2016 would have been $196 million. However, due to a lack of IFRS-specific data prior to the acquisition of Good Buy, pro-forma profit or loss of the combined entity for the complete 2017 reporting period cannot be determined reliably.

31.3 Disposal of Highstreet Ltd

See Note 32.3 below.

32 Interests in subsidiaries

32.1 Composition of the Group

AASB 12.10(a)(i)

Set out below details of the subsidiaries held directly by the Group:

Name of the Subsidiary	Country of incorporation and principal place of business	Principal activity	Group proportion of ownership interests 31 December 2017	Group proportion of ownership interests 31 December 2016
Goodtech Ltd	Australia	Online retailer of computer and telecommunications hardware	100%	-
Good Buy Inc.	United States	Online retailer of computer and telecommunications hardware	100%	100%
Tech Squad Ltd	Australia	Design and sale of phone and intranet applications	80%	80%
Data Corp	United Kingdom	Online sales of hardware and software products	100%	100%
Highstreet Ltd	United Kingdom	Design and sale of phone and intranet applications	-	100%

Significant judgements and assumptions

The Group holds 45% of the ordinary shares and voting rights in Equipe Consultants S.A. (Equipe).

AASB 12.9

Two other investors each hold 15%. The remaining 25% is held by several other unrelated investors, none of whom own more than 2% individually. There are no arrangements for the other shareholders to consult one another or act collectively and past experience indicates that few of the other owners actually exercise their voting rights at all. The Group has appointed four of Equipe's Board of Directors out of a total of 11.

AASB 10.B41-B46

Management has reassessed its involvement in Equipe in accordance with AASB 10's revised control definition and guidance. It has concluded that it has significant influence but not outright control. In making its judgement, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of recent participation by those shareholders in general meetings. Recent experience demonstrates that sufficient of the smaller shareholders participate such that they, along with the two other main shareholders, prevent the Group from having the practical ability to direct the relevant activities of Equipe unilaterally.

32.2 Subsidiary with material non-controlling interests

AASB 12.12

The Group includes one subsidiary, Tech Squad Ltd, with material Non-Controlling Interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit allocated to NCI		Accumulated NCI	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Tech Squad Ltd	20%	20%	121	116	713	592

AASB 12.B10(a)

No dividends were paid to the NCI during the years 2017 and 2016.

AASB 12.12(g)
AASB 12.B10(b)

Summarised financial information for Tech Squad Ltd, before intragroup eliminations, is set out below:

	2017 $'000	2016 $'000
Current assets	3,924	3,452
Non-current assets	5,019	5,182
Total assets	**8,943**	**8,634**
Current liabilities	(1,561)	(2,268)
Non-current liabilities	(3,806)	(3,402)
Total liabilities	**(5,367)**	**(5,670)**
Equity attributable to owners of the parent	**2,863**	**2,372**
Non-controlling interests	**713**	**592**

	2017 $'000	2016 $'000
Revenue	**7,658**	**7,116**
Profit for the year attributable to owners of the parent	479	464
Profit for the year attributable to NCI	121	116
Profit for the year	**600**	**580**
Other Comprehensive Income for the year (all attributable to owners of the parent)	**6**	**4**
Total comprehensive income for the year attributable to owners of the parent	485	468
Total comprehensive income for the year attributable to NCI	121	116
Total comprehensive income for the year	**606**	**584**
Net cash from operating activities	957	779
Net cash used in investing activities	(531)	(673)
Net cash from / (used in) financing activities	446	(61)
Net cash inflow	**872**	**45**

32.3 Losing control over a subsidiary during the reporting period

AASB 107.40(b)
AASB 107.40(d)

On 30 September 2017, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Ltd (Highstreet). The subsidiary was classified as held for sale in the 2016 financial statements (see Note 9).

The consideration was received in 2017. At the date of disposal, the carrying amounts of Highstreets' net assets were as follows:

		$'000
	Property, plant and equipment	2,475
	Total non-current assets	2,475
	Inventories	1,121
AASB 107.40(c)	Cash and cash equivalents	-
	Total current assets	1,121
	Provisions	(232)
	Borrowings	(8)
	Trade and other payables	(210)
	Total current liabilities	(450)
	Total net assets	3,146
AASB 107.40(a)	Total consideration received in cash	3,117
	Cash and cash equivalents disposed of	-
AASB 107.42	**Net cash received**	**3,117**
AASB 10.25	**Loss on disposal**	**(29)**

AASB 12.19(b)

The loss on disposal is included in the loss for the year from discontinued operations in the consolidated statement of profit or loss. See Note 9.

32.4 Interests in unconsolidated structured entities

AASB 12.24

The Group has no interests in unconsolidated structured entities.

33 Leases

33.1 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 2017, the net carrying amount of the warehouse and related facilities held under finance lease arrangements (included as part of buildings) is $3,362,000 (2016: $3,723,000); and the net carrying amount of the IT equipment held under finance lease arrangements (included as part of IT equipment) is $231,000 (2016: $480,000) (see Note 15).

The Group's finance lease liabilities, which are secured by the related assets held under finance leases, are classified as follows:

	2017 $'000	2016 $'000
Finance lease liabilities		
Current:		
• finance lease liabilities	512	506
Non-current:		
• finance lease liabilities	4,060	4,459

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	1-5 years $'000	After 5 years $'000	Total $'000
	31 December 2017				
AASB 117.31(b)	Lease payments	727	1,415	3,539	5,681
	Finance charges	(215)	(330)	(528)	(1,073)
	Net present values	**512**	**1,085**	**3,011**	**4,608**
	31 December 2016				
AASB 117.31(b)	Lease payments	726	1,432	4,072	6,230
	Finance charges	(220)	(336)	(560)	(1,116)
	Net present values	**506**	**1,096**	**3,512**	**5,114**

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.

33.2 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	1-5 years $'000	After 5 years $'000	Total $'000
AASB 117.35(a)	31 December 2017	4,211	12,567	25,678	42,456
	31 December 2016	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 (2016: $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 2008. A related gain was included in other liabilities (see Note 23) and is being amortised over the remaining lease term.

33.3 Operating leases as lessor

The Group leases out investment properties on operating leases (see Note 16).

34 Financial instrument risk

34.1 Risk management objectives and policies

AASB 101.114(d)(ii)
AASB 7.33

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 12.1. The main types of risks are market risk, credit risk and liquidity risk.

AASB 7.IG15

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

34.2 Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency sensitivity

AASB 7.33(a)

Most of the Group's transactions are carried out in $AUD. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in $US-Dollars ($USD) and Pound Sterling (£GBP). The Group also holds an investment in a $USD bond. Further, the Group has a $USD loan designated at fair value through profit or loss, which has been used to fund the purchase of investment property in the United States.

AASB 7.33(b)
AASB 7.IG15
AASB 7.33(c)

To mitigate the Group's exposure to foreign currency risk, non-$AUD cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within six months) from longer-term cash flows (due after six months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk on the Group's $USD loan used to fund the purchase of US investment property. The loan is designated at fair value through profit and loss to significantly reduce measurement inconsistencies between investment properties and the related loan. The $USD fair value of the loan and the related properties are both translated into $AUD at the prevailing spot exchange rate. Accordingly foreign currency fluctuations on the investment property are largely mitigated by offsetting movements on the related loan.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into $AUD at the closing rate:

AASB 7.34(a)
AASB 7.34(c)

	Short-term exposure			Long-term exposure		
	$USD $'000	£GBP $'000	Other $'000	$USD $'000	£GBP $'000	Other $'000
31 December 2017:						
• financial assets	4,518	3,629	308	1,363	-	-
• financial liabilities	710	1,658	-	-	-	-
Total exposure	**3,808**	**1,971**	**308**	**1,363**	**-**	**-**
31 December 2016:						
• financial assets	2,920	1,840	233	1,442	-	-
• financial liabilities	586	1,368	-	-	-	-
Total exposure	**2,334**	**472**	**233**	**1,442**	**-**	**-**

AASB 7.40(a)
AASB 7.40(b)
AASB 7.IG36

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the $USD/$AUD exchange rate and £GBP/$AUD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the $AUD/$USD exchange rate for the year ended at 31 December 2017 (2016: 10%). A +/- 5% change is considered for the $AUD/£GBP exchange rate (2016: 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the $AUD had strengthened against the $USD by 10% (2016: 10%) and £GBP by 5% (2016: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD $'000	GBP £'000	Total $'000	USD $'000	GBP £'000	Total $'000
31 December 2017	(97)	(99)	(196)	(47)	(99)	(146)
31 December 2016	(53)	(24)	(77)	(3)	(24)	(27)

If the $AUD had weakened against the $USD by 10% (2016: 10%) and £GBP by 5% (2016: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD $'000	GBP £'000	Total $'000	USD $'000	GBP £'000	Total $'000
31 December 2017	97	97	194	37	97	134
31 December 2016	53	20	73	13	20	33

AASB 7.42

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate sensitivity

AASB 7.33(a)
AASB 7.33(b)

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2017, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The Group's investments in bonds all pay fixed interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

AASB 7.40(b)
AASB 7.IG36

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2016: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	$'000 +1%	$'000 -1%	$'000 +1%	$'000 -1%
31 December 2017	36	(36)	26	(16)
31 December 2016	32	(32)	23	(14)

Other price risk sensitivity

AASB 7.33(a)

The Group is exposed to other price risk in respect of its listed equity securities, the investment in XY Ltd and debentures (see Note 12.3).

AASB 7.40(a)
AASB 7.40(b)

For the listed equity securities, an average volatility of 20% has been observed during 2017 (2016: 18%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by $85,000 (2016: $62,000). The listed securities are classified as AFS, therefore no effect on profit or loss would have occurred.

AASB 7.40(b)

The Group's sensitivity to price risk in regards to its investment in XY Ltd cannot be reliably determined due to numerous uncertainties regarding the future development of this Company (see Note 12.3 for further information).

AASB 7.33(b)

The investments in listed equity securities and in XY Ltd are considered long-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Group's favour.

AASB 7.40(a)
AASB 7.40(b)

The average volatility of the listed debentures was 15% in 2017 (2016: 13%). If the market price had increased or decreased by this amount, other comprehensive income and equity would have increased/decreased by $15,000 (2016: $15,000). As none of the debentures classified as AFS were sold during any of the periods under review, no effect on profit or loss would have occurred (unless any decline in fair value to below cost is considered to result from impairment of the asset).

34.3 Credit risk analysis

AASB 7.33(a)
AASB 7.36(a)

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

AASB 7.34(a)

	2017 $'000	2016 $'000
Classes of financial assets		
Carrying amounts:		
• Bonds	2,814	2,992
• listed debentures	518	455
• money market funds	655	649
• derivative financial instruments	582	212
• cash and cash equivalents	34,729	11,197
• trade and other receivables	30,945	23,441
	70,243	**38,946**

AASB 7.33(b)

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

AASB 7.36(c)

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 31 December reporting dates under review are of good credit quality.

AASB 7.37(a)
AASB 7.IG28

At 31 December, the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 31 December analysed by the length of time past due, are:

	2017 $'000	2016 $'000
Not more three (3) months	671	602
More than three (3) months but not more than six (6) months	90	88
More than six (6) months but not more than one (1) year	55	15
More than one (1) year	2	1
Total	**818**	**706**

AASB 7.36(c)
AASB 7.IG23

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

AASB 7.36(c)

The credit risk for cash and cash equivalents, money market funds, debentures and derivate financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

AASB 7.36(a)
AASB 7.36(c)
AASB 7.IG23(a)
AASB 7.20(e)

No impairment loss has been recorded in relation to the bonds (HTM investments, see Note 12.2) which have been graded AA by Standard & Poors and the bonds are not past due. The carrying amounts disclosed above are the Group's maximum possible credit risk exposure in relation to these instruments.

34.4 Liquidity risk analysis

AASB 7.33(a)
AASB 7.33(b)
AASB 7.39(c)

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

AASB 7.39(c)
AASB 7.B11F

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

AASB 7.B11E

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables (see Note 12) significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

As at 31 December 2017, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

AASB 7.39(a)
AASB 7.B11

	Current		Non-current	
	Within 6 mths $'000	6 - 12 mths $'000	1 - 5 yrs $'000	5+ yrs $'000
31 December 2017				
US-Dollar loans	280	280	1,761	8,215
Other bank borrowings	4,565	-	-	-
Non-convertible bond	208	208	8,888	-
Finance lease obligations	364	364	1,415	3,539
Trade and other payables	8,547	-	-	-
Total	**13,964**	**852**	**12,064**	**11,754**

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

AASB 7.39(a)
AASB 7.B11

	Current		Non-current	
	Within 6 mths $'000	6 - 12 mths $'000	1 - 5 yrs $'000	5+ yrs $'000
31 December 2016				
US-Dollar loans	289	289	1,781	8,508
Other bank borrowings	3,124	-	-	-
Non-convertible bond	208	208	9,303	-
Finance lease obligations	363	363	1,432	4,072
Trade and other payables	6,590	-	-	-
Total	**10,574**	**860**	**12,516**	**12,580**

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date. The subordinated shareholder loan amounting to $5,000,000 throughout all reporting periods is not included as this is only repayable upon liquidation of Grant Thornton CLEARR. Annual interest payments amount to $200,000.

In assessing and managing liquidity risks of its derivative financial instruments, the Group considers both contractual inflows and outflows. As at 31 December 2017, the contractual cash flows of the Group's derivative financial assets and liabilities are as follows:

AASB 7.39(b)
AASB 7.B11

	Current	
	Within 6 mths $'000	**6-12 mths $'000**
31 December 2017		
Gross settled forward contracts:		
• cash outflow	(212)	(6,978)
• cash inflow	300	7,509
Total	**88**	**531**

AASB 7.34(a)

This compares to the contractual cash flows of the Group's derivative financial assets and liabilities in the previous reporting periods as follows:

AASB 7.39(b)
AASB 7.B11

	Current	
	Within 6 mths $'000	**6-12 mths $'000**
31 December 2016		
Gross settled forward contracts:		
• cash outflow	(190)	(7,100)
• cash inflow	203	7,050
Total	**13**	**(50)**

Derivative financial instruments reflect forward exchange contracts (see Note 12.4) that will be settled on a gross basis.

35 Fair value measurement

35.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2017 and 31 December 2016:

AASB 13.93(a)-(b)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2017				
Financial assets				
Listed securities and debentures	518	-	-	518
Money market funds	655	-	-	655
US-Dollar forward contracts – cash flow hedge	-	467	-	467
Other forward exchange contracts – held-for-trading	-	115	-	115
Total assets	**1,173**	**582**	**-**	**1,755**
Financial liabilities				
US-Dollar loans	-	(7,950)	-	(7,950)
Contingent consideration	-	-	(620)	(620)
Total liabilities	**-**	**(7,950)**	**(620)**	**(8,570)**
Net fair value	**1,173**	**(7,368)**	**(620)**	**(6,815)**

AASB 13.94

AASB 13.93(a)-(b)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2016				
Financial assets				
Listed securities and debentures	455	-	-	455
Money market funds	649	-	-	649
Other forward exchange contracts – held-for-trading	-	212	-	212
Total assets	**1,104**	**-**	**-**	**1,316**
Financial liabilities				
US-Dollar forward contracts – cash flow hedge	-	(160)	-	(160)
US-Dollar loans	-	(8,220)	-	(8,220)
Total liabilities	**-**	**(8,380)**	**-**	**(8,380)**
Net fair value	**1,104**	**(8,168)**	**-**	**(7,064)**

AASB 13.94

AASB 13.93(c) There were no transfers between Level 1 and Level 2 in 2017 or 2016.

Measurement of fair value of financial instruments

AASB 13.93(d)
AASB 13.93(g)

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer (CFO) and to the Audit Committee. Valuation processes and fair value changes are discussed among the Audit Committee and the valuation team at least every year, in line with the Group's reporting dates.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Foreign currency forward contracts (Level 2)

The Group's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

US-Dollar loans (Level 2)

The fair values of the US-Dollar loans are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risk. The interest rate used for this calculation is 3.9%.

Contingent consideration (Level 3)

AASB 13.93(d)
AASB 13.93(h)

The fair value of contingent consideration related to the acquisition of Goodtech (see Note 31.1) is estimated using a present value technique. The $620,000 fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 4.4%. The probability-weighted cash outflows before discounting are $655,000 and reflect the management's estimate of a 50% probability that the contract's target level will be achieved. The discount rate used is 4.4%, based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

Significant unobservable input	Estimate of the input	Sensitivity of the fair value measurement to input
Probability of meeting target	50%	An increase to 60% (decrease to 40%) would increase / (decrease) fair value by $125,000.

Level 3 Fair Value Measurements

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

		Contingent consideration	
		2017 $'000	2016 $'000
AASB 13.93(e)	**Balance at 1 January 2017**	**-**	**-**
AASB 13.93(e)(iii)	Acquired through business combination	(600)	-
	Losses recognised in profit or loss under:		
AASB 13.93(e)(i)	• finance costs	(20)	-
	Balance at 31 December 2017	**(620)**	**-**
AASB 13.93(f)	Total amount included in profit or loss for unrealised losses on Level 3 instruments under finance costs	(20)	-

AASB 13.97

Financial instruments measured at amortised cost for which the fair value is disclosed

See Notes 12.2 and 12.6.

35.2 Fair value measurement of non-financial instruments

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2017:

AASB 13.93(a)-(b)

AASB 13.94

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2017				
Property, plant and equipment:				
• land held for production in Australia	-	-	7,979	7,979
• Goodtech land	-	-	730	730
Investment property:				
• office building in Australia	-	-	4,552	4,552
• Goodtech investment property	-	-	75	75
• office building in the US	-	-	8,035	8,035

AASB 13.93(a)-(b)

AASB 13.94

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2016				
Property, plant and equipment:				
• land held for production in Australia	-	-	7,697	7,697
• Goodtech land	-	-	-	-
Investment property:				
• office building in Australia	-	-	4,366	4,366
• office building in the US	-	-	7,911	7,911

AASB 13.93(d)
AASB 140.75(e)

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee at each reporting date.

Further information is set out below.

Land held for production in Australia (Level 3)

AASB 13.93(d)
AASB 13.93(g)
AASB 116.77(a)
AASB 116.77(b)

The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use. In 2017, a negative adjustment of 7.5% was incorporated for these factors. The land was revalued on 23 November 2017. The land was previously revalued in November 2016.

AASB 13.93(h)

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

AASB 13.93(d)

Land with a fair value of $730,000, recognised upon the acquisition of Goodtech in March 2017(see Note 31.1), was not revalued at the reporting date. Management determined that the effect of changes in fair values between the acquisition and reporting date is immaterial.

Office buildings in Australia and the US (Level 3)

AASB 13.93(d)

The fair values of the office buildings are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The office buildings are revalued annually on 31 December.

AASB 13.93(h)

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three (3) assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 31 December 2017 were:

	Australia	US
Rental value	AUD $108/sqm	USD $65/sqm
Vacancy levels	9.0%	11.0%
Discount rate (market yield)	4.4%	3.7%

AASB 13.93(h)

An investment property with a fair value of $75,000, recognised upon the acquisition of Goodtech (see Note 31.1) in March 2017, was not revalued at the reporting date. Management determined that the effect of changes in fair values between the acquisition and reporting date is immaterial.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

		PP&E	Investment properties	
AASB 7.39(a), AASB 7.B11		Land held for production $'000	Australia $'000	US $'000
AASB 13.93(e)	**1 January 2017**	**7,697**	**4,366**	**7,911**
AASB 13.93(e)(i)	Gains recognised in profit or loss:			
	• increase in fair value of investment property	-	186	124
AASB 13.93(e)(ii)	Gains recognised in other comprehensive income:			
	• revaluation of land	303	-	-
	• exchange differences on translating foreign operations	(21)	-	-
AASB 13.93(e)(iii)	Acquired in business combination	730	75	-
	Balance at 31 December 2017	**8,709**	**4,627**	**8,035**
AASB 13.93(f)	Total amount included in profit or loss for unrealised gains on Level 3 assets	-	186	124

		PP&E	Investment properties	
		Land held for production $'000	Australia $'000	US $'000
AASB 13.93(e)	**1 January 2016**	**7,697**	**4,293**	**7,809**
AASB 13.93(e)(i)	Gains recognised in profit or loss:			
	• increase in fair value of investment property	-	73	102
AASB 13.93(e)(ii)	Gains recognised in other comprehensive income:			
	• revaluation of land	-	-	-
	• exchange differences on translating foreign operations	-	-	-
	Balance at 31 December 2016	**7,697**	**4,366**	**7,911**
AASB 13.93(f)	Total amount included in profit or loss for unrealised gains on Level 3 assets	-	73	102

36 Capital management policies and procedures

AASB 101.134

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

AASB 101.135(a)(i)

The Group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented on the face of the statement of financial position and cash flow hedges recognised in other comprehensive income.

AASB 101.135(a)(ii)

The Group's goal in capital management is to maintain a capital-to-overall financing ratio of 1:6 to 1:4. This is in line with the Group's covenants resulting from the subordinated loan it has taken out from its main shareholder in 2014.

AASB 101.135(a)(iii)

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

		2017 $'000	2016 $'000
AASB 101.135(b)	Total equity	88,242	54,009
	Subordinated loan	5,000	5,000
	Cash flow hedges	(469)	160
	Cash and cash equivalents	(34,729)	(11,197)
	Capital	**58,004**	**47,972**
	Total equity	88,242	54,009
	Borrowings	25,815	24,644
	Overall financing	**114,057**	**78,653**
	Capital-to-overall financing ratio	**0.51**	**0.61**

AASB 101.135(d) The Group has honoured its covenant obligations, including maintaining capital ratios, since the subordinated loan was taken out in 2014. The ratio reduction during 2017 is primarily a result of financing the acquisition of Goodtech (see Note 31.1).

37 Parent entity information

Information relating to Grant Thornton CLEARR (the Parent Entity):

	2017 $'000	2016 $'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
Net assets	55,396	42,138
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
Total equity	**55,396**	**42,138**
Statement of profit or loss and other 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 (2016: $Nil). Refer Note 30 for further details of the commitment.

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

38 Post-reporting date events

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

Directors' Declaration

CA 295(4)

1 In the opinion of the Directors of Grant Thornton CLEARR Example Ltd:

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

CA 295(4)(d)(ii)

i Giving a true and fair view of its financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and

CA 295(4)(d)(i)

ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

CA 295(4)(c)

b There are reasonable grounds to believe that Grant Thornton CLEARR Example Ltd will be able to pay its debts as and when they become due and payable.

CA 295(4)(e))
ASIC PN22

2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2017.

CA 295(4)(ca)

3 Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

CA 295(5)(a)

Signed in accordance with a resolution of the Directors.

CA 295(5)(c)

Director
Blake Smith

CA 295(5)(b)

Dated the 28th day of February 2018

Independent Auditor's Report

An independent auditor's report will be prepared by the entity's auditor in accordance with Australian Auditing Standards. This publication does not include an illustrative report as the wording of the report may differ between entities.

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 28 February 2018.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholder	Number of shares
AB Limited:	3,128,000
CD Limited:	2,500,000
EF Limited:	1,670,000

Voting rights

Ordinary Shares:	On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
Options:	No voting rights.

Distribution of equity security holders	Ordinary shares	
Holding	**Shares**	**Options**
1 - 1,000	100	-
1,001 - 5,000	62	18
5,001 - 10,000	25	20
10,001 - 100,000	14	1
1000,000 and over	9	-
	210	**39**

There were 17 holders of less than a marketable parcel of ordinary shares.

	Ordinary shares	
Twenty (20) largest shareholders	**Number of shares held**	**Percentage (%) of issued shares**
AB Limited	3,128,000	22.72
CD Limited	2,500,000	18.16
EF Limited	1,670,000	12.13
GH Limited	575,000	4.18
IJ Limited	450,000	3.27
KL Limited	395,000	2.87
M Limited	257,000	1.87
N Limited	214,600	1.56
O Limited	197,700	1.44
P Limited	76,500	0.56
Q Limited	73,000	0.53
R Limited	70,540	0.51
S Limited	62,000	0.45
T Limited	60,500	0.44
U Limited	54,000	0.39
V Limited	52,100	0.38
W Limited	49,800	0.36
X Limited	43,150	0.31
Y Limited	25,400	0.18
Z Limited	18,700	0.14
	9,972,990	**72.43**

Unissued equity securities

Number of options issued under the Star or Stay Program: 219,924

Securities exchange

The Company is listed on the Australian Securities Exchange.

Appendix A: Organising the Statement of Profit or Loss by Function of Expenses

AASB 101.99

AASB 101.99 allows a 'statement of profit or loss' 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 'statement of profit or loss' separately, i.e. Other Comprehensive Income (OCI) shall be shown in addition to the statement of profit or loss in a statement of comprehensive income (see the example in Appendix B).

If the entity shows the statement of profit or loss and other 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 profit or loss and other comprehensive income.

The FOE or NOE formats do not affect the presentation requirements for other comprehensive income, only the 'statement of profit or loss' is affected.

AASB 101.104

Presenting the statement of profit or loss 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 statement of profit or loss where certain transactions or amounts are recognised (for example, see Note 18, Note 19 and Note 22 of the **Example Financial Statements**) should reflect the actual line items presented in the FOE statement of profit or loss

In addition, when an entity includes the analysis of profit or loss from discontinued operation in the notes to the financial statements (see Note 9); such information should be presented in the same format as the main statement of profit or loss. This will facilitate a better understanding of the financial effects of the discontinued operations.

Consolidated Statement of Profit or Loss

For the year ended 31December 2017

		Notes	2017 $'000	2016 $'000
AASB 101.51 AASB 101.51(c-e)				
AASB 101.82(a)	**Revenue**	5	205,793	191,228
AASB 101.85	Costs of sales		(109,342)	(103,292)
AASB 101.85	**Gross profit**		**96,451**	**87,936**
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	16	310	175
AASB 101.85	Other expenses		(12,878)	(11,276)
			21,554	**19,094**
AASB 101.82(c)	Share of profit from equity accounted investments	14	391	141
AASB 101.82(b)	Finance costs	6	(1,490)	(1,876)
AASB 101.85	Finance income	6	994	793
AASB 101.85	Other financial items	7	943	1,182
	Profit before tax		**22,392**	**19,334**
AASB 101.82(d)	Tax expense	8	(6,910)	(5,763)
	Profit for the year from continuing operations		**15,482**	**13,571**
AASB 101.82(e)	Loss for the year from discontinued operations	9	(9)	(325)
AASB 101.82(f)	**Profit for the year**		**15,473**	**13,246**
	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		15,352	13,130
			15,473	**13,246**

		Notes	2017 $	2016 $
	Earnings per share	25		
AASB 133.67A	*Basic earnings per share*			
AASB 133.66	Earnings from continuing operations		1.22	1.14
AASB 133.68	Loss from discontinued operations		(0.00)	(0.03)
AASB 133.66	**Total**		**1.22**	**1.11**
AASB 133.68A	**Diluted earnings per share**			
AASB 133.66	Earnings from continuing operations		1.22	1.14
AASB 133.68	Loss from discontinued operations		(0.00)	(0.03)
AASB 133.66	**Total**		**1.22**	**1.11**

Appendix B: Statement of Profit or Loss and Other Comprehensive Income Presented in Two Statements

The main body in these **Example Financial Statements** presents the statement of profit or loss and other comprehensive income of one statement (see Guidance Note to the consolidated statement of profit or loss and other comprehensive income).

In this Appendix, the alternative of presenting the ‘statement of profit or loss and other comprehensive income’ as two (2) statements is presented (using the nature of expense method).

Disclosure requirements, however, remain unchanged (see guidance note to the consolidated statement of profit or loss and other comprehensive income).

In general, the notes to the financial statements will need to be tailored so that they refer to the statement of profit or loss and other comprehensive income and not the statement of profit or loss, where appropriate. For example, tailoring is necessary to reflect that discontinued operations are shown as a separate line item in the statement of profit or loss and other comprehensive income (see Note 4.10). However, it should be noted that the term profit or loss continues to apply.

The illustrative two (2) statements of profit or loss and other comprehensive income are shown on the next two (2) pages.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

		Notes	2017 $'000	2016 $'000
AASB 101.51, AASB 101.51(c-e)				
AASB 101.82(a)	**Revenue**	5	**205,793**	**191,228**
AASB 101.85	Other income		427	641
AASB 101.85	Changes in inventories		(7,923)	(5,623)
AASB 101.85	Costs of material		(42,434)	(40,485)
AASB 101.85	Employee benefits expense	22	(113,809)	(108,515)
AASB 101.85	Change in fair value of investment property	16	310	175
AASB 101.85	Depreciation, amortisation and impairment of non-financial assets		(7,932)	(6,051)
AASB 101.85	Other expenses		(12,878)	(11,276)
			21,554	**19,094**
AASB 101.82(c)	Share of profit from equity accounted investments	14	391	141
AASB 101.82(b)	Finance costs	6	(1,490)	(1,876)
AASB 101.85	Finance income	6	994	793
AASB 101.85	Other financial items	7	943	1,182
	Profit before tax		**22,392**	**19,334**
AASB 101.82(d)	Tax expense	8	(6,910)	(5,763)
	Profit for the year from continuing operations		**15,482**	**13,571**
AASB 101.82(e)	Loss for the year from discontinued operations	9	(9)	(325)
AASB 101.82(f)	**Profit for the year**		**15,473**	**13,246**
	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		15,352	13,130
			15,473	**13,246**

		Notes	2017 $	2016 $
	Earnings per share	25		
AASB 133.67A	*Basic earnings per share:*			
AASB 133.66	• earnings from continuing operations		1.22	1.14
AASB 133.68	• loss from discontinued operations		(0.00)	(0.03)
AASB 133.66	**Total**		**1.22**	**1.11**
AASB 133.68A	*Diluted earnings per share:*			
AASB 133.66	• earnings from continuing operations		1.22	1.14
AASB 133.68	• loss from discontinued operations		(0.00)	(0.03)
AASB 133.66	**Total**		**1.22**	**1.11**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

		Notes	2017 $'000	2016 $'000
AASB 101.82(f)	Profit for the year		15,473	13,246
AASB 101.82(g)	**Other comprehensive income**			
AASB 101.82A	*Items that will not be reclassified subsequently to profit or loss:*			
AASB 116.77(f)	Revaluation of land	15	303	-
AASB 119.120(c)	Re-measurement of net defined benefit liability	22	3,830	(3,541)
AASB 101.91	Tax on items that will not be reclassified to profit or loss	24	(1,240)	1,062
AASB 101.82A	*Items that may be reclassified subsequently to profit or loss*			
	Cash flow hedging:	12		
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:	12		
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 101.91	Tax on items that may be reclassified to profit or loss	24	176	95
	Other comprehensive income for the tax year, net of tax		**3,097**	**(3,162)**
AASB 101.82(i)	**Total comprehensive income for the year**		**18,570**	**10,084**
	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		18,449	9,968
			18,570	**10,084**
AASB 5.33(d)	**Total comprehensive income attributable to owners of the parent:**			
	• continuing operations		18,458	10,293
	• discontinued operations		(9)	(325)
			18,449	**9,968**

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 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 2017

		Notes	2017 $'000	2016 $'000
AASB 101.51(c)				
AASB 101.51(d-e)	**Operating activities**			
AASB 107.10	Profit before tax		22,392	19,334
	Non-cash adjustments		8,818	9,104
	Contributions to defined benefit plans		(1,186)	(1,273)
	Net changes in working capital		(2,018)	(2,094)
	Settling of derivative financial instruments		(33)	716
	Acquisition costs expensed to profit or loss		(223)	(76)
AASB 107.35	Taxes paid		(1,761)	(5,568)
	Net cash from continuing operations		25,989	20,143
AASB 5.33(c)	Net cash (used in) / from discontinued operations	9	(22)	811
	Net cash from operating activities		**25,967**	**20,954**
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)	(3,235)
	Proceeds from disposals of other intangible assets		924	-
AASB 107.39	Acquisition of subsidiaries, net of cash	31	(15,491)	(12,075)
AASB 107.39	Proceeds from sale of subsidiaries, net of cash	31	3,117	-
	Proceeds from disposals and redemptions of non-derivative financial assets		228	132
AASB 107.31	Interest received	6	752	447
AASB 107.31	Dividends received	6	62	21
AASB 107.35	Taxes paid		(462)	(140)
	Net cash used in investing activities		**(14,531)**	**(18,131)**
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	6	(1,015)	(985)
AASB 107.31	Dividends paid	25	(3,000)	-
	Net cash from / (used in) financing activities		**12,013**	**(1,634)**
AASB 107.45	**Net change in cash and cash equivalents**		**23,449**	**1,189**
	Cash and cash equivalents, beginning of year		11,219	9,987
AASB 107.28	Exchange differences on cash and cash equivalents		61	43
	Included in disposal group	9	-	(22)
AASB 107.45	**Cash and cash equivalents, end of year**	10	**34,729**	**11,197**

Appendix D: Additional Disclosures for Mining Exploration Companies

The **Example Financial Statements** for Grant Thornton CLEARR Example Ltd is based upon an IT entity and therefore does not include specific disclosures relating to companies within the resource mining industry. As resource mining is widespread within Australia, we thought that providing the additional disclosures specific to companies within this industry would be useful for financial preparers.

We have identified common areas in the following pages that we consider our clients would be concerned with.

Interests in joint arrangements

Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Where the Group's activities are conducted through joint operations, the Group recognises its assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Where the Group's activities are conducted through a joint venture, the Group recognises its interests in the joint venture using the equity method.

Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the joint venture. Where there has been a change recognised directly in other comprehensive income or equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of profit or loss and other comprehensive income or the statement of changes in equity, as appropriate. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The share of the joint venture's net profit / (loss) is shown on the face of profit or loss. This is the profit/(loss) attributable to venturers in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the venturer. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Mineral exploration, evaluation and development expenditure

Exploration and evaluation costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to mine properties and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves (refer to 'mine properties' below).

A regular review for impairment is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Mine properties

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which mining has commenced or in the process of commencing. When further development expenditure is incurred in respect of mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis (other than restoration and rehabilitation expenditure detailed below) which results in a write off of the cost proportional to the depletion of the proven and probable mineral reserves.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is either fully provided against or written off in the financial year in which this is determined.

The Group provides for environmental restoration and rehabilitation at site which includes any costs to dismantle and remove certain items of plant and equipment. The cost of an item includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs when an item is acquired or as a consequence of having used the item during that period. This asset is depreciated on the basis of the current estimate of the useful life of the asset.

In accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* an entity is also required to recognise as a provision the best estimate of the present value of expenditure required to settle the obligation. The present value of estimated future cash flows is measured using a current market discount rate.

Inventories

Gold bullion, base metal concentrate, metal in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price (in the ordinary course of business), less estimated costs of completion and costs of selling final product.

Cost is determined using the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods. The cost of production is allocated to joint products using a ratio of spot prices by volume at each month end. Separately identifiable costs of conversion of each metal are specifically allocated.

Materials and supplies are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Rehabilitation provision

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, is recognised when the land is contaminated.

The provision represents the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated in accordance with the policy set out in Note X. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

Revenue recognition

The following criteria are also applicable to other specific revenue transactions:

Gold bullion sales

Revenue from gold bullion sales is brought to account when the significant risks and rewards of ownership have transferred to the buyer and selling prices are known or can be reasonably estimated.

Base metal concentrate sales

Contract terms for the Group's sale of base metal concentrate (metal in concentrate) allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the final content. Recognition of sales revenue for these commodities is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the spot price at the date of shipment, with a subsequent adjustment made upon final determination and presented as part of 'other income'.

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the 'quotation period'). Adjustments to the sales price occur, based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and six months.

The provisionally priced sales of metal in concentrate contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted.

Accordingly the embedded derivative, which does not qualify for hedge accounting, is recognised at fair value, with subsequent changes in the fair value recognised in profit or loss each period until final settlement, and presented as 'other income'. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices for gold and copper.

Stripping costs

Costs associated with stripping activity, which is the process of removing mine waste materials to gain access to the mineral deposits underneath, during the production phase of surface mining are accounted for as either inventory or a non-current asset (non-current asset is also referred to as a 'stripping activity asset').

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for the costs of that stripping activity in accordance with the principles of AASB 102 *Inventories*. To the extent the benefit is improved access to ore, the Group recognises these costs as a non-current asset provided that:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Group
- the Group can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably

Stripping activity assets are initially measured at cost, being the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore plus an allocation of directly attributable overhead costs. In addition, stripping activity assets are accounted for as an addition to, or as an enhancement to, an existing asset. Accordingly, the nature of the existing asset determines:

- whether the Group classifies the stripping activity asset as tangible or intangible; and
- the basis on which the stripping activity asset is measured subsequent to initial recognition

In circumstances where the costs of the stripping activity asset and the inventory produced are not separately identifiable, the Group allocates the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on volume of waste extracted compared with expected volume, for a given volume of ore production.

Significant management judgements in applying Accounting Policies

Estimation uncertainty

Additional example disclosures relating specifically to the mining industry that you may consider including within these notes are as follows:

Mine rehabilitation provision

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

Ore reserve and resource estimates

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in the 2012 edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* [the JORC Code]). Reserves determined in this way are taken into account in the calculation of depreciation, amortisation, impairment, deferred mining costs, rehabilitation and environmental expenditure.

In estimating the remaining life of the mine for the purposes of amortisation and depreciation calculations, due regard is given, not only to remaining recoverable metals contained in proved and probable ore reserves, but also to limitations which could arise from the potential for changes in technology, demand, and other issues which are inherently difficult to estimate over a lengthy time frame.

Where a change in estimated recoverable metals contained in proved and probable ore reserves is made, depreciation and amortisation is accounted for prospectively.

The determination of ore reserves and remaining mine life affects the carrying value of a number of the Group's assets and liabilities including deferred mining costs and the provision for rehabilitation.

Units-of-production depreciation

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure.

The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Inventories

Costs incurred in or benefits of the productive process are accumulated as stockpiles, gold in process, ore on leach pads and product inventory. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

The metallurgical balancing process is constantly monitored and the recovery estimates are refined based on reconciliations with actual results over time.

Interests in joint ventures

Refer to Note 14.1 of the notes to financial statements for Grant Thornton CLEARR Example Ltd.

Exploration and evaluation assets

	$'000s
Cost as 1 January 2016	
Additions	
Exploration expenditure written off	
Transfer to mine properties	
Cost as at 31 December 2016	
Additions	
Exploration expenditure written off	
Transfer to mine properties	
Cost as at 31 December 2017	

	$'000s
Provision for impairment as at 1 January 2016	
Impairment charge for the year	
Reversal of previously booked impairments	
Provision for impairment as at 31 December 2016	
Impairment charge for the year	
Reversal of previously booked impairments	
Provision for impairment as at 31 December 2017	

	$'000s
Net book value as at 31 December 2016	
Net book value as at 31 December 2017	

Exploration and evaluation expenditure immediately expensed to 'other expenses' in profit or loss amount to $XX million (2016: $XX million).

Mine properties

	Mines $'000s	Deferred stripping $'000s	Total $'000s
Cost as at 1 January 2016			
Additions			
Transferred from exploration and evaluation assets			
Change in rehabilitation provision			
Disposals			
Cost as at 31 December 2016			
Additions			
Transferred from exploration and evaluation assets			
Change in rehabilitation provision			
Disposals			
Cost as at 31 December 2017			

	Mines $'000s	Deferred stripping $'000s	Total $'000s
Depletion and impairment as at 1 January 2016			
Charge for the year			
Provision for impairment			
Disposals			
Depletion and impairment as at 31 December 2016			
Charge for the year			
Provision for impairment			
Disposals			
Depletion and impairment as at 31 December 2017			

	Mines $'000s	Deferred stripping $'000s	Total $'000s
Net book value as at 31 December 2016			
Net book value as at 31 December 2017			

Inventories

	2017 $'000s	2016 $'000s
At cost:		
• gold bullion		
• base metals concentrate		
• metal in circuit		
• ore stockpiles		
• materials and supplies		
Total inventories		

Provisions

	Rehabilitation $'000s	Other $'000s	Total $'000s
At 1 January 2017			
Arising during the year			
Write-back of unused provisions			
Disposals			
Unwinding of discount			
Utilisation			
At 31 December 2017			

Comprising:

	Rehabilitation $'000s	Other $'000s	Total $'000s
Current 2017			
Non-Current 2017			

	Rehabilitation $'000s	Other $'000s	Total $'000s
Current 2016			
Non-Current 2016			

Rehabilitation provision

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities.

Appendix E: Summary of Directors’ Report requirements

The content of a Directors’ Report is dictated by the requirements in *Corporations Act 2001* (and *Corporations Regulations 2001*) and may vary depending on the type of each entity.

We have summarised these requirements for most common types of entities in the table below.

	Description	Listed public companies	Listed registered schemes	Unlisted registered schemes	Companies limited by guarantee	Unlisted public companies (other than limited by guarantee)	Other disclosing entities	Proprietary companies[15]
CA 298(1AA)(c)	Copy of the Auditor’s Independence Declaration under section 307C	•		•	•	•	•	•
CA 298(1AB)(b) CA 298(1A)	Details regarding additional information to give a true and fair view under section 295(3)(c)	•		•		•	•	•
CA 299(1)(a)	Review of operations and results of those operations	•		•		•	•	•
CA 299(1)(b)	Details of any significant changes in the state of affairs	•		•		•	•	•
CA 299(1)(c)	Details of principal activities and any significant changes in those activities	•		•		•	•	•
CA 299(1)(d)	Details of events after the end of financial year	•		•		•	•	•
CA 299(1)(e)	Likely developments in future financial years and expected results	•		•		•	•	•
CA 299(1)(f)	Details of performance in relation to environmental regulation	•		•		•	•	•
CA 299(3)	Exclusion of prejudicial information on future developments and results	•		•		•	•	•
CA 299A(1)	Information on the operations, financial position and business strategies and prospects	•	•					
CA 299A(3)	Exclusion of prejudicial information on likely future developments and expected results	•	•					
CA 300(1)(a)	Dividends or distributions paid	•		•		•	•	•
CA 300(1)(b)	Dividends or distributions recommended or declared but not paid	•		•		•	•	•
CA 300(1)(c), CA 300B(3)(a)	Names of Directors and periods of Directorship	•		•	•	•	•	•
CA 300(1)(ca)	Details of officers who are former Audit Partners or Directors	•		•		•	•	•

[15] Directors’ Report is not required for a small proprietary company where it prepares financial statements to satisfy a shareholder direction (section 293) and that direction specifies that a Directors’ report is not required.

	Description	Listed public companies	Listed registered schemes	Unlisted registered schemes	Companies limited by guarantee	Unlisted public companies (other than limited by guarantee)	Other disclosing entities	Proprietary companies[15]
CA 300(1)(d),(3),(5)	Options granted over unissued shares or interests to any Director or any of the five most highly remunerated officers	•	•	•		•	•	•
CA 300(1)(e),(3),(6)	Details of unissued shares or interests under option at the day of the report	•	•	•		•	•	•
CA 300(1)(f),(3),(7)	Details of shares or interests issued as a result of the exercise of options	•	•	•		•	•	•
CA 300(1)(g),(8),(9)	Details of indemnity given, or insurance premium paid or agreed to be paid, for officers or auditors	•	•	•		•	•	•
CA 300(10)(a), CA 300B(3)(b)	Details of Directors, including qualifications, experience and responsibilities[16]	•			•	•		
CA 300(10)(b),(c), CA 300B(3)(c)	Details of Directors' meeting attendance	•			•	•		
CA 300(10)(d)	Details of Company Secretary's qualifications and experience	•				•		
CA 300(11)(a)-(d)	Details of Directors' interests in shares, debentures and registered schemes, including options and rights	•						
CA 300(12)	Details of Directors' interests in a registered scheme, including options and rights		•					
CA 300(11)(e)	Details of Directorships of other listed companies held by the Directors at any time in the last years	•						
CA 300(11A)	Details of any ASIC declaration under section 324DAA	•						
CA 300(2A),(11B),(11C),(11D)	Details of any non-audit services and related statements by Directors	•						
CA 300A, Reg 2M.3.03	Remuneration report[17]	•						
CA 300(13)(a)	Details of any fees paid to the responsible entity and associates out of scheme property			•				
CA 300(13)(b)	Number of interests in the scheme held by responsible entity and associates		•	•				
CA 300(13)(c)	Interests in the scheme issued during the financial year		•	•				
CA 300(13)(d)	Withdrawals from the scheme during the financial year		•	•				
CA 300(13)(e)	Value of the scheme's assets and the basis for the valuation		•	•				

16 The requirements in section 300(10) of *Corporations Act 2001* do not apply to wholly-owned subsidiaries of Australian companies.

17 Unlisted disclosing entities are no longer required to prepare a remuneration report as per the amendments introduced by *Corporations Legislation Amendment (Deregulatory and Other Measures) Act 2015* which became effective on 19 March 2015.

	Description	Listed public companies	Listed registered schemes	Unlisted registered schemes	Companies limited by guarantee	Unlisted public companies (other than limited by guarantee)	Other disclosing entities	Proprietary companies
CA 300(13)(f)	Number of interests in scheme at the end of the financial year		•	•				
CA 300(14),(15)	Details of any application for leave of court to bring proceedings on behalf of Company	•				•		•
CA 300B(1)(a)	A description of the short-term and long-term objectives				•			
CA 300B(1)(b)	Details of the entity's strategy for achieving short-term and long-term objectives				•			
CA 300B(1)(c),(d)	Details of principal activities during the year and how such activities assisted in achieving the entity's objectives				•			
CA 300B(1)(e)	Details of how the entity measures its performance, including any key performance indicators				•			
CA 300B(3)(d)	For each class of membership, the amount which a member of that class is liable to contribute on winding up				•			
CA 300B(3)(e)	Total amount that members are liable to contribute on winding up				•			
ASIC Class Order 98/0100	Statement regarding rounding of amounts in the Directors' Report and financial report	•	•	•	•	•	•	•