Grant Thornton

An instinct for growth™

Example interim financial statements

Grant Thornton CLEARR Example Ltd

For the half-year ended 30 June 2018

Contents

Foreword

Welcome to the June 2018 edition of the example interim 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 condensed interim 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 Australian financial reporting landscape continues to evolve with a number of major changes coming into effect during 2018/2019. The new revenue and financial instruments standards became effective on 1 January 2018, impacting for the first time half-years ending 30 June 2018 (and full years ending 31 December 2018). Similarly, the new leases and income of not-for-profit requirements will kick in from 1 January 2019. In addition to these new requirements, many businesses are still grappling with the recent requirement for Significant Global Entities (entities within a group with a consolidated global income of $1 billion or more) to prepare and lodge general purpose financial statements with the Australian Taxation Office (ATO). Furthermore, the AASB has just introduced proposals to remove the current definition of 'reporting entity' from Australian accounting requirements, effectively removing the option to prepare special purpose financial statements if entities are required by legislation or otherwise to comply with Australian Accounting Standards. All these changes add to the already complex financial reporting requirements and it is paramount 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.

An entity complying with AASB 134 *Interim Financial Reporting* has a choice of preparing a condensed set of interim financial statements or a complete set of financial statements. This publication illustrates a condensed set of interim financial statements.

We have reviewed and updated these financial statements to reflect changes in Australian Accounting Standards that are effective for the year ending 30 June 2018. However, no account has been taken of any new developments published after 14 May 2018. The Grant Thornton website contains any updates that are relevant for 30 June 2018 financial statements, including our Technical Accounting Alert on *"What's new for June 2018"*.

We trust this publication will help you work through the upcoming June 2018 reporting season. We welcome your feedback on the format and content of this publication. Please contact us via email to 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
May 2018

Directors' Report

CA 302(a)

The Directors of Grant Thornton CLEARR Example Ltd (Grant Thornton CLEARR) present their Report together with the financial statements of the Consolidated Entity, being Grant Thornton CLEARR (the Company) and its Controlled Entities (the Group) for the half-year ended 30 June 2018.

Director details

CA 306(1)(b)

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

- Mr Blake Smith
- Ms Beth King
- Mr Simon Murphy
- Mrs Alison French
- Mr William Middleton (appointed 28 May 2018)

CA 306 (1)(a)

Review of operations and financial results

The operating result of the Group has increased to $13.9m (2017: $5.5m); this is mainly due to the cost control measures implemented during the period which have allowed increased revenue with a lower proportionate cost base.

Earnings per share have increased during the period to $0.93 (2017: $0.45) which has allowed a dividend to be declared.

Additional capital raising activities were undertaken during the period which raised $20.3m and allowed the Group to fund the Sysmagic Limited (Sysmagic) 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.

This acquisition that has occurred during the period is in line with the Group's strategy to increase online sales capacity.

Goodwill of $2.5m arising on acquisition of Sysmagic (as described in Note 6) is primarily related to the substantial skill and expertise of Sysmagic's workforce and expected cost synergies.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 2 of this financial report and forms part of this Directors' Report.

Rounding of amounts

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

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 306(3)(a)

Signed in accordance with a resolution of the Directors.

CA 306(3)(c)

Blake Smith
Director

CA 306(3)(b)

28 August 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 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

b No contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

AB Partner
Partner - Audit & Assurance

Sydney, 28 August 2018

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

In accordance with AASB 101, the statement of profit or loss and other comprehensive income may be presented in one of the following ways:

- **in a single statement:** 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 income (i.e., a single statement). A two (2) statement presentation is shown in the Appendices of the **Listed Public Example Financial Statements** for the financial year ending 30 June 2018*.*

AASB 101.82(a)-(ea) provides a list of the minimum items to be presented on the face of the statement of profit or loss and other comprehensive income. Where relevant, references to AASB 101 and other AASB requirements are included on the left hand side of the consolidated statement of profit or loss and other comprehensive income. There may be situations where additional line items, headings and subtotals need to be included. AASB 101.85 requires an entity to present such additional items on the face of the statement of profit or loss and other comprehensive income when such presentation is relevant to an understanding of the entity's financial performance.

AASB 101 allows an entity to use either the 'nature of expense' or the 'function of expense' format, whichever is reliable and more relevant (AASB 101.99). This publication provides an example of the 'nature of expense' format.

AASB 134.11 requires the presentation of both basic and diluted earnings per share on the face of the statement that presents the components of profit or loss. Where an entity presents a statement of profit or loss and statement of comprehensive income, the basic and diluted earnings per share figures should be presented on the face of the statement of profit or loss (AASB 134.11A).

AASB 134 does not specifically require earnings per share figures separately for continuing, discontinued and total operations. AASB 133 *Earnings per Share* requires the annual financial statements to show, on the face of the statement of profit or loss and other comprehensive income, the basic and diluted earnings per share for continuing operations and the total from continuing and discontinued operations (AASB 133.66). The figure for discontinued operations is required to be shown, in the annual financial statements, either on the face of the statement of profit or loss and other comprehensive income or in the notes to those financial statements (AASB 133.68). Where an entity presents items of profit or loss in a separate statement, it presents basic and diluted earnings per share for the discounted operations in that separate statement or in the notes (AASB 133.86A).

AASB 134 does not specify which figures should be reported. However in our opinion it should be the earnings per share figures for total operations (as a minimum). Where the Directors decide to show earnings per share from continuing or discontinued operations on the face of the statement of profit or loss and other comprehensive income, in our opinion the earnings per share figures for total operations should also be shown on the face of the statement of profit or loss and other comprehensive income.

AASB 101.82A requires an entity to present line items for amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method).

AASB 101 also requires items of Other Comprehensive Income (OCI) to be grouped into what will not be reclassified subsequently to profit or loss and those that may be reclassified subsequently to profit or loss when specific conditions are met (AASB 101.82A).

According to AASB 101.90, an entity discloses the amount of income tax relating to each component of other comprehensive income, either on the face of the statement of comprehensive income or in the notes. If an entity chooses the second alternative, it shall allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section (AASB 101.91).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2018

		Notes	30 June 2018 $'000	30 June 2017 $'000
AASB 101.51(c) AASB 101.51(d-e)				
AASB 101.82(a)	Revenue	8	116,846	89,063
AASB 101.85	Other income		202	185
AASB 101.85	Changes in inventories		(5,066)	(3,148)
AASB 101.85	Costs of material		(23,403)	(18,638)
AASB 101.85	Employee benefits expense		(61,532)	(51,076)
AASB 101.85	Change in fair value of investment property		55	125
AASB 101.85	Depreciation, amortisation and impairment of non-financial assets		(3,906)	(3,158)
AASB 101.85	Other expenses		(4,879)	(5,848)
			18,317	**7,505**
AASB 101.82(c)	Share of profit from equity accounted investments		45	29
AASB 101.82(b)	Finance costs		(1,547)	(1,585)
AASB 101.85	Finance income		1,050	465
AASB 101.85	Other financial items		1,878	1,583
	Profit before tax		**19,743**	**7,997**
AASB 101.82(d)	Tax expense		(5,945)	(2,458)
	Profit for the period from continuing operations		**13,798**	**5,539**
AASB 101.82(ea)	Profit/(loss) from the period from discontinued operations	12	96	8
AASB 101. 81A(a)	**Profit for the period**		**13,894**	**5,547**
AASB 101.82(g)	**Other comprehensive income:**			
AASB 101.82A(a)	*Items that will not be reclassified subsequently to profit or loss:*			
	Equity instruments at FVTOCI – fair value changes		(100)	-
	Re-measurement of net defined benefit liability		(1,671)	1,915
	Income tax on items that will not be reclassified subsequently to profit or loss	16	531	(575)
AASB 101.82A(b)	*Items that may be reclassified subsequently to profit or loss*			
	Cash flow hedging:			
AASB 7.23(c-d)	• current year gains / (losses)		215	287
AASB 101.92	• reclassification to profit or loss		157	178
	Debt instruments at FVTOCI			
	• current year gains / (losses)		35	(12)
	• reclassification to profit or loss		24	(32)
	Available-for-sale financial assets – fair value changes		-	(10)
AASB 121.52(b)	Exchange differences on translating foreign operations		(575)	(414)
AASB 101.90	Income tax on items that may be reclassified subsequently to profit or loss	16	173	125
	Other comprehensive income for the period, net of tax	16	**(1,211)**	**1,462**
AASB 101.82(i)	**Total comprehensive income for the period**		**12,683**	**7,009**

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

For the half-year ended 30 June 2018

AASB 101.51(c), AASB 101.51(d-e)

Reference		Notes	30 Jun 2018 $'000	30 Jun 2017 $'000
	Profit for the period attributable to:			
AASB 101.83(a)(i)	• non-controlling interest		67	57
AASB 101.83(a)(ii)	• owners of the parent		13,827	5,490
			13,894	**5,547**
	Total comprehensive income for the period attributable to:			
AASB 101.83(b)(i)	• non-controlling interest		67	57
AASB 101.83(a)(ii)	• owners of the parent		12,616	6,952
			12,683	**7,009**

Reference		Notes	30 Jun 2018 $	30 Jun 2017 $
AASB 134.11, 11A	**Earnings per share**	13		
AASB 133.67A	Basic earnings per share			
AASB 133.66	Earnings from continuing operations		0.92	0.45
AASB 133.68A	Earnings from discontinued operations		0.01	-
AASB 133.66	**Total**		**0.93**	**0.45**
AASB 133.67A	Diluted earnings per share			
AASB 133.66	Earnings from continuing operations		0.92	0.45
AASB 133.68A	Earnings from discontinued operations		0.01	-
AASB 133.66	**Total**		**0.93**	**0.45**

The accompanying notes form part of these financial statements.

Guidance Note: Statement of Financial Position

As set out in paragraph 8, AASB 134 *Interim Financial Reporting* requires that condensed interim financial statements contain as a minimum:

- a condensed statement of financial position
- a condensed statement of profit or loss and other comprehensive income, presented either as a condensed single statement or a condensed separate statement of profit or loss and a condensed statement of comprehensive income
- a condensed statement of changes in equity
- a condensed statement of cash flows; and
- selected explanatory notes

According to AASB 134.20, the interim financial statements (condensed or complete) shall include:

- a statement of financial position as at the end of the current interim period and a comparative statement of financial position as at the end of the immediately preceding financial year
- either:
  - two (2) separate statements, being a statement of profit or loss and statement of comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparatives for the comparable interim period (i.e., comparable interim period and financial year to date); or
  - a single statement of profit or loss and other comprehensive income for the current interim period, and cumulatively for the current financial year to date, with comparatives for the comparable interim period (i.e., comparable interim period and financial year to date)
- a statement of changes in equity showing changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year; and
- a statement of cash flows for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year

AASB 101 *Presentation of Financial Statements* requires an additional statement of financial position at the start of the comparative period in certain circumstances (AASB 101.39). AASB 134 does not require, and therefore these **Example Interim Financial Statements** do not include, a statement of financial position.

Presentation of the interim statement of profit or loss and other comprehensive income either as a single statement or two (2) separate statements should follow the presentation in the annual financial statements (AASB 134.8A). The Group presents a single consolidated statement of profit or loss and other comprehensive income in its annual financial statements. In addition, the Group's consolidated statement of profit or loss and other comprehensive income illustrates an example of the 'nature of expense format'. Accordingly, these **Example Financial Statements** follow the same approach. The alternative methods of presenting two (2) separate statements being a statement of profit or loss and a statement of comprehensive income, presenting a statement of profit or loss illustrating the 'function of expense format' are included as appendices to the **Example Listed Public Financial Statements** for the financial year ending 30 June.

AASB 134.10 requires the interim statement to include, as a minimum, each of the headings and subtotals that were included in the most recent annual financial statements.

AASB 101.54 provides a list of the minimum items to be presented on the face of the statement of financial position. Where relevant, references to AASB 101 and Australian Accounting Standards are included on the left hand side of the consolidated statement of financial position. There may be situations where additional line items, headings and subtotals may also need to be included. AASB 101.55 requires an entity to present additional items on the face of the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.

Consolidated Statement of Financial Position

As at 30 June 2018

		Notes	30 Jun 2018 $'000	31 Dec 2017 $'000
AASB 101.51(c)				
AASB 101.51(d-e)	**Assets**			
AASB 101.66	**Current**			
AASB 101.54(i)	Cash and cash equivalents		42,539	34,789
AASB 101.54(h)	Trade and other receivables		28,746	33,629
AASB 101.54(g)	Inventories		32,586	18,548
AASB 101.55	Derivative financial instruments		598	582
AASB 101.54(d)	Other short-term financial assets		689	655
			105,158	88,203
AASB 101.54(j)	Assets and disposal group classified as held for sale	12	-	103
AASB 101.60	**Current assets**		**105,158**	**88,306**
AASB 101.66	**Non-current**			
AASB 101.57	Goodwill	9	7,397	5,041
AASB 101.54(c)	Other intangible assets	10	25,950	17,424
AASB 101.54(a)	Property, plant and equipment	11	26,281	22,439
AASB 101.54(e), AASB 128.38	Investments accounted for using the equity method		475	430
AASB 101.54(b)	Investment property		12,732	12,662
AASB 15.105	Contract assets	3	102	-
AASB 101.54(d)	Other long-term financial assets		3,700	3,765
AASB 101.60	**Non-current assets**		**76,637**	**61,761**
AASB 101.55	**Total assets**		**181,795**	**150,067**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position (continued)

As at 30 June 2018

		Notes	30 Jun 2018 $'000	31 Dec 2017 $'000
AASB 101.57 AASB 101.51(d-e)				
AASB 101.51(c)	**Liabilities**			
AASB 101.60, AASB 101.69	**Current**			
AASB 101.54(k)	Trade and other payables		10,466	9,059
AASB 101.54(m)	Borrowings		3,986	4,815
AASB 101.54(l)	Provisions	17	615	1,215
AASB 101.55	Pension and other employee obligations		1,625	1,467
AASB 101.54(n)	Current tax liabilities		3,325	3,102
AASB 101.55	Other liabilities		3,286	2,758
			23,303	22,416
AASB 101.54(p), AASB 5.38	Liabilities included in disposal group held for sale		-	-
	Current liabilities		**23,303**	**22,416**
AASB 101.60, AASB 101.69	**Non-current**			
AASB 101.54(k)	Trade and other payables		5,142	8,424
AASB 101.54(m)	Borrowings		19,768	21,000
AASB 101.55	Pension and other employee obligations		11,788	10,386
AASB 101.54(o), AASB 101.56	Deferred tax liabilities		6,241	1,907
AASB 15.105	Contract liabilities	3	50	-
AASB 101.55	Other liabilities		1,804	2,020
	Non-current liabilities		44,793	43,737
AASB 101.55	**Total liabilities**		**68,096**	**66,153**
	Net assets		**113,699**	**83,914**
	Equity			
	Equity attributable to owners of the parent:			
AASB 101.54(r)	Share capital	14	55,865	33,415
AASB 101.54(r)	Share option reserve		1,031	764
AASB 101.78(e)	Other components of equity	16	650	621
AASB 101.54(r)	Retained earnings		55,373	48,401
			112,919	83,201
AASB 101.54(q)	Non-controlling interest		780	713
	Total equity		**113,699**	**83,914**

The accompanying notes form part of these financial statements.

Guidance Note: Consolidated Statement of Changes in Equity

AASB 134.10 requires the interim statement to include, as a minimum, each of the headings and subtotals that were included in the most recent annual financial statements.

AASB 101.106 provides a list of the required items to be presented on the face of the statement of changes in equity. Where relevant, references to AASB 101 and other Australian Accounting Standards requirements are included on the left hand side of the consolidated statement of changes in equity.

AASB 101.106 provides that entities have a choice to present the required reconciliations for each component of other comprehensive income (OCI) either:

a In the statement of changes in equity; or

b 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. This reduces duplicated disclosures and presents more clearly the overall changes in equity.

Consolidated Statement of Changes in Equity

For the half year ended June 2018

		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 101.51(d-e)									
	Balance at 1 January 2018 (reported)		**33,415**	**764**	**621**	**47,816**	**82,616**	**708**	**83,324**
	Effect of AASB 15	3	-	-	-	225	225	7	232
	Effect of AASB 9	3	-	-	-	360	360	(2)	358
AASB 101.106(d)	**Balance at 1 January 2018 (restated)**		**33,415**	**764**	**621**	**48,401**	**83,201**	**713**	**83,914**
	Dividends		-	-	-	(6,855)	(6,855)	-	(6,855)
	Issue of share capital under share-based employment scheme		2,100	-	-	-	2,100	-	2,100
	Employee share-based payment options		-	267	-	-	267	-	267
	Issue of share capital		20,350	-	-	-	20,350	-	20,350
AASB 101.106(d)(iii)	Transactions with owners		22,450	267	-	(6,855)	15,862	-	15,862
AASB 101.106(d)(i)	Profit for the period		-	-	-	13,827	13,827	67	13,894
AASB 101.106(d)(ii)	Other comprehensive income		-	-	29	-	29	-	29
AASB 101.106(a)	Total comprehensive income for the period		-	-	29	13,827	13,856	67	13,923
AASB 101.106(d)	**Balance at 30 June 2018**		**55,865**	**1,031**	**650**	**55,373**	**112,919**	**780**	**113,699**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the half-year ended 30 June 2017

		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 101.51(d-e)								
AASB 101.106(d)	**Balance at 1 January 2017**	**15,050**	**466**	**(1,146)**	**35,445**	**49,815**	**592**	**50,407**
	Dividends	-	-	-	(3,000)	(3,000)	-	(3,000)
	Issue of share capital under share-based employment scheme	1,685	-	-	-	1,685	-	1,685
	Employee share-based payment options	-	165	-	-	165	-	165
AASB 101.106(d)(iii)	Transactions with owners	1,685	165	-	(3,000)	(1,150)	-	(1,150)
AASB 101.106(d)(i)	Profit for the period	-	-	-	5,490	5,490	57	5,547
AASB 101.106(d)(ii)	Other comprehensive income	-	-	2,803	-	2,803	-	2,803
AASB 101.106(d)	Total comprehensive income for the period	-	-	2,803	5,490	8,293	57	8,350
AASB 101.106(d)	**Balance at 30 June 2017**	**16,735**	**631**	**1,657**	**37,935**	**56,958**	**649**	**57,607**

The accompanying notes form part of these financial statements.

Guidance Note: Consolidated Statement of Cash Flows

AASB 134.10 requires the interim statement to include, as a minimum, each of the headings and subtotals that were included in the most recent annual financial statements. Consistent with the Group's annual financial statements, the interim consolidated statement of cash flows is prepared using the direct method in accordance with AASB 107.18(a).

The statement of cash flows can also be prepared using the indirect method (AASB 107.18(b)). This alternative method is included in the appendices to **Example Listed Public Financial Statements** for the financial year ending 30 June 2018.

Where relevant, references to AASB 107 and other Australian Accounting Standards are included on the left hand side of the consolidated statement of cash flows.

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2018

		Notes	30 Jun 2018 $'000	30 Jun 2017 $'000
AASB 101.51(c) AASB 101.51(d-e)				
AASB 107.10	**Operating activities**			
	Receipts from customers		121,729	84,365
	Payments to suppliers and employees		(101,002)	(63,424)
AASB 107.35	Taxes paid		(5,602)	(577)
	Net cash from continuing operations		15,125	20,364
AASB 5.33(c)	Net cash from discontinued operations		-	18
	Net cash from operating activities		**15,125**	**20,382**
AASB 107.10	**Investing activities**			
	Purchase of property, plant and equipment	11	(47)	(26)
	Proceeds from disposals of property, plant and equipment		128	11
	Purchase of other intangible assets	10	(2,470)	(2,805)
AASB 107.39	Acquisition of subsidiaries, net of cash	6	(18,480)	(15,714)
	Proceeds from sale of assets classified as held for sale		199	-
	Proceeds from disposals and redemptions of non-derivative financial assets		105	135
AASB 107.31	Interest received		465	352
AASB 107.31	Dividends received		48	40
	Net cash used in investing activities		**(20,052)**	**(18,007)**
AASB 107.10	**Financing activities**			
	Proceeds from bank loans		-	1,441
	Repayments of bank loans		(2,543)	(3,478)
	Proceeds from issue of share capital		22,450	1,685
AASB 107.31	Interest paid		(473)	(400)
AASB 107.31	Dividends paid	15	(6,855)	(3,000)
	Net cash from / (used in) financing activities		12,579	(3,752)
AASB 107.45	**Net change in cash and cash equivalents**		**7,652**	**(1,377)**
	Cash and cash equivalents, beginning of period		34,789	11,259
AASB 107.28	Exchange differences on cash and cash equivalents		98	(25)
AASB107.45	**Cash and cash equivalents, end of period**		**42,539**	**9,857**

The accompanying notes form part of these financial statements.

Guidance Note: Notes to the Consolidated Interim Financial Statements

Where an entity's interim financial report is in compliance with AASB 134 that fact shall be disclosed (AASB 134.19). Where a condensed set of financial statements is prepared, the basis of preparation will need to refer to the fact that these interim financial statements are 'condensed'. An interim financial report shall not be described as complying with Australian Accounting Standards unless it complies with all of the requirements of Australian Accounting Standards.

Interim financial reports are prepared assuming that the users of such reports have access to the most recent annual financial report of the entity. Consequently, disclosures in the interim financial report need not duplicate previously reported information (AASB 134.6). The information to be disclosed in the notes to the condensed interim financial statements is set out in AASB 134.16A.

In addition, AASB 134.15 requires disclosure of events and transactions that are significant to an understanding of the changes in the financial position and performance of an entity since the end of the last annual reporting period. The guidance clarifies this requirement and adds some examples of events and transactions which may require disclosure, if significant (AASB 134.15B).

This example interim report presents selected explanatory notes that are intended to assist users in understanding the results of operations of the Group for the current interim period. As with any example, it does not envisage every possible transaction and cannot therefore be regarded as comprehensive. Also, depending on the circumstances, certain of these disclosures might be regarded either as voluntary or as necessary to meet the general requirements of AASB 134.

The disclosures in the example notes to the interim financial statements follow the format of the disclosures in the Group's annual financial statements in so far as these disclosures are required by AASB 134. Where relevant, references to AASB 134 and other Australian Accounting Standards are included on the left hand side of the disclosures.

Notes to the Condensed Interim Consolidated Financial Statements

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)

The Group provides phone and intranet based in-house applications including the integration of mobile end devices into new and existing IT and telecommunication structures. By integrating these activities the Group acts as a one-stop-shop for modern day communication requirements of small to medium sized companies. Services include consulting activities that concentrate on the design of combined IT and telecommunication systems for clients. The Group also delivers IT and telecommunication solutions specifically designed for the customer through modification of complex equipment. The Group sells the hardware and software products of the Group's business partners and delivers extensive after-sale service and maintenance for these products. Refer to Note 7 for further information about the Group's operating segments.

2 General information and basis of preparation

AASB 134.3
AASB 134.19

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 30 June 2018 and are presented in Australian Dollars ($AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and *Corporations Act 2001*.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised in the section below and in Note 3.

AASB 110.17

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 August 2018.

New standards adopted as at 1 January 2018[1]

AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. The new Standard has been applies as at 1 January 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The adoption of AASB 15 has mainly affected the following areas:

- IT services set-up costs
- Loss contracts

[1] As the amendments have a significant impact on these financial statements, detailed disclosures have been made. Entities should assess the impact of AASB 15 and AASB 9 on their financial statements based on their own facts and circumstances and make appropriate disclosures.

IT services set-up costs

In preparing to perform under an IT outsourcing contract the Group incurs initial set-up costs replicating client databases and establishing communication linkages with the customer's information systems. On average, these costs represent between 1% and 2% of the total labour and materials costs incurred.

As these costs arise from activities that the Group must undertake to fulfil a contract but do not themselves transfer a good or service to a customer, AASB 15 does not consider them to be performance obligations. Accordingly, these costs are excluded from the measure of performance under the contract. Instead, such costs are evaluated for possible capitalisation using the specific criteria in the Standard. If capitalised, the resulting asset is subsequently amortised on a straight-line basis over the estimated period of benefit which includes both the existing contract and any reasonably anticipated renewals based on the company's historical experience with similar arrangements. Under AASB 118, these costs were expensed as incurred.

This change of accounting for set-up costs had no impact on the total amount of services revenue recognised under each contract, although the date upon which services revenue is first recognised has been delayed by an average of 6 to 8 days. The total adjustment to the opening balance of retained earnings arising from the initial application of AASB 15 to set-up costs is $267,000.

Loss contracts

AASB 15 does not include any guidance on how to account for loss contracts. Accordingly, such contracts are accounted for using the guidance in AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Under AASB 137, the assessment of whether a provision needs to be recognised takes place at the contract level and there are no segmentation criteria to apply. As a result, there are some instances where loss provisions recognised in the past have not been recognised under AASB 15 because the contract as a whole is profitable. In addition, when two or more contracts entered into at or near the same time are required to be combined for accounting purposes, AASB 15 requires the Group to perform the assessment of whether the contract is onerous at the level of the combined contracts. The Group also notes that the amount of loss accrued in respect of a loss contract under AASB 111 takes into account an appropriate allocation of construction overheads. This contrasts with AASB 137 where loss accruals may be lower as they are based on the identification of 'unavoidable costs'.

As at 1 January 2018, the Group has identified only two loss provisions totalling $225,000. These provisions have been re-measured under AASB 137 at $185,000.

Contracts with multiple performance obligations

Many of the Group's contracts comprise a variety of performance obligations including, but not limited to, hardware, software, elements of design and customisation, after-sales services, and installation. Under AASB 15, the Group must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources; and
- it is 'separately identifiable' (i.e. the Group does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Group during the year.

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaces AASB 139's *'Financial Instruments: Recognition and Measurement*' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Group elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 January 2018. Further, the Group chose to continue applying the hedge accounting requirements in AASB 139 as permitted by AASB 9.

The adoption of AASB 9 has mostly impacted the following areas:

- the classification and measurement of the Group's financial assets. Management holds most financial assets to hold and collect the associated cash flows. The majority of investments previously classified as held-to-maturity (HTM) investments continue to be accounted for at amortised cost. However, a number of investments previously classified as available-for-sale (AFS) investments and some other financial assets are now measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest (SPPI).
- the impairment of financial assets applying the expected credit loss model. This applies now to the Group's trade receivables and investments in debt-type assets previously classified as HTM or AFS (unless classified as at fair value through profit or loss). For contract assets arising from AASB 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.
- the measurement of equity investments in XY Ltd at cost less impairment. This investment is now measured at fair value with changes in fair value presented in profit or loss. The Group did not elect to irrevocably designate the Group's investment in XY Ltd at fair value with changes presented in other comprehensive income.
- the measurement of equity investments in other listed entities. These investments were classified as available-for-sale under AASB 139. The Group chose to make the irrevocable election on transition to classify these investments as Equity FVTOCI as permitted by AASB 9.
- the recognition of gains and losses arising from the Group's from own credit risk. The Group continues to elect the fair value option for certain financial liabilities which means that fair value movements from changes in the Group's own credit risk are now presented in other comprehensive income rather than profit or loss.

3 Changes in significant accounting policies

AASB 134.16A(a)
AASB 108.28

The interim financial statements have been prepared in accordance with the same accounting policies[2] adopted in the Group's last annual financial statements for the year ended 31 December 2017, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 31 December 2017 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the interim period ended 30 June 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

[2] AASB 134.28 requires the use of the discrete period approach. This requires that items of income and expenses should be recognised and measured on a basis consistent with that used in preparing the annual financial statements, and that no adjustments should be made for events expected to occur subsequent to the end of the interim period. AASB 134.28 notes that the frequency of an entity's reporting should not affect its annual results. There are however some situations where annual reporting can be altered. One example is impairment of goodwill. Interpretation 10 *Interim Financial Reporting and Impairment* notes that an entity shall not reverse an impairment loss recognised in a previous interim period even if the impairment loss would not have been recognised had the impairment assessment been made only at the end of the annual reporting period (Interpretation 10.8). The discrete period approach is also problematic in the context of income taxes, which are generally measured based on the taxable profit of an annual period. Accordingly, AASB 134 requires that interim period income tax is accrued using the tax rate that would be applicable to expected total annual earnings. The estimated average annual effective income tax rate is applied to the pre-tax income of the interim period (AASB 134.B12).

3.1 Revenue[3]

Revenue arises mainly from the sale of telecommunications hardware and software, after-sales maintenance and extended warranty services, consulting and IT services, and contracts for the construction of telecommunication systems.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services, for example for the delivery of telecommunications hardware, software and related after-sales service. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Hardware and software

Revenue from the sale of hardware and software for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

For stand-alone sales of telecommunications hardware and/or software that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods. When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognised over time as the customisation or integration work is performed, using the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the entity's performance, the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer.

The Group's retail division operates a customer loyalty incentive programme. For each $100 spent, customers obtain one loyalty point which they can redeem to receive discounts on future purchases. Loyalty points are considered to be a separate performance obligation as they provide customers with a material right they would not have received otherwise. Unused points will expire if not used within two years. The Group allocates the transaction price between the material right and other performance obligations identified in a contract on a relative stand-alone selling price basis. Revenue from the material right is recognised on the earlier of the date the points are redeemed by the customer and the date on which they expire.

[3] Revenue is one of the most important line items for most entities, and therefore a policy is almost always disclosed. Entities with multiple revenue streams should always remember to address each significant revenue stream separately.

The Group provides a basic 1-year product warranty on its telecommunications hardware whether sold on a stand-alone basis or as part of an integrated telecommunications system. Under the terms of this warranty customers can return product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

After-Sales Services

The Group enters into fixed price maintenance and extended warranty contracts with its customers for terms between one and three years in length. Customers are required to pay in advance for each twelve-month service period and the relevant payment due dates are specified in each contract.

- **Maintenance contracts** – The Group enters into agreements with its customers to perform regularly scheduled maintenance services on telecommunications hardware purchased from the Group. Revenue is recognised over time based on the ratio between the number of hours of maintenance services provided in the current period and the total number of such hours expected to be provided under each contract. This method best depicts the transfer of services to the customer because: (a) details of the services to be provided are specified by management in advance as part of its published maintenance program, and (b) the Group has a long history of providing these services to its customers, allowing it to make reliable estimates of the total number of hours involved in providing the service.
- **Extended warranty program** – The Group enters into agreements with purchasers of its telecommunications hardware to perform necessary repairs falling outside the Group's standard warranty period. As this service involves an indeterminate number of acts, the Group is required to 'stand ready' to perform whenever a request falling within the scope of the program is made by a customer. Revenue is recognised on a straight-line basis over the term of the contract. This method best depicts the transfer of services to the customer as (a) the company's historical experience demonstrates no statistically significant variation in the quantum of services provided in each year of a multi-year contract, and (b) no reliable prediction can be made as to if and when any individual customer will require service.

Consulting and IT Services

The Group provides consulting services relating to the design of telecommunications systems strategies and IT security. Revenue from these services is recognised on a time-and-materials basis as the services are provided. Customers are invoiced weekly as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due.

The Group also provides IT outsourcing services including payroll and accounts payable transaction processing to customers in exchange for a fixed monthly fee. Revenue is recognised on a straight-line basis over the term of each contract. As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the straight-line method provides a faithful depiction of the transfer of goods or services.

Construction of telecommunication systems

The Group enters into contracts for the design, development and installation of telecommunication systems in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. When a contract also includes promises to perform after-sales services, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of its relative stand-alone selling price.

To depict the progress by which the Group transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by comparing actual hours spent to date with the total estimated hours required to design, develop, and install each system. The hours-to-hours basis provides the most faithful depiction of the transfer of goods and services to each customer due to the Group's ability to make reliable estimates of the total number of hours required to perform, arising from its significant historical experience constructing similar systems.

In addition to the fixed fee, some contracts include bonus payments which the Group can earn by completing a project in advance of a targeted delivery date. At inception of each contract the Group begins by estimating the amount of the bonus to be received using the “most likely amount” approach. This amount is then included in the Group’s estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the bonus is resolved. In making this assessment, the Group considers its historical record of performance on similar contracts, whether the Group has access to the labour and materials resources needed to exceed the agreed-upon completion date, and the potential impact of other reasonably foreseen constraints.

Most such arrangements include detailed customer payment schedules. When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position under other liabilities.

The construction of telecommunication systems normally takes 10–12 months from commencement of design through to completion of installation. As the period of time between customer payment and performance will always be one year or less, the Group applies the practical expedient in AASB 15.63 and does not adjust the promised amount of consideration for the effects of financing.

In obtaining these contracts, the Group incurs a number of incremental costs, such as commissions paid to sales staff. The Group recognises such incremental costs as a contract asset if it expects to recover those costs from the customer. The contract asset is then amortised on a systematic basis consistent with the transfer to the customer the good or service to which the contract asset relates. Where the amortisation period of these costs, if capitalised, would be less than one year, the Group makes use of the practical expedient in AASB 15.94 and expenses them as they incur.

The tables below highlight the impact of AASB 15 on the Group’s statement of profit or loss and other comprehensive income and the statement of financial position for the interim period ending 30 June 2018. The adoption of AASB 15 did not have a material impact on the Group’s statement of cash flows.

Statement of Profit or Loss and Other Comprehensive Income (Extract)	**Amounts under AASBs 118 & 111 $’000**	**Adjustments $’000**	**Amounts under AASB 15 $’000**
Revenue	117,181	(335)	116,846
Changes in inventories	(5,121)	55	(5,066)
Costs of material	(23,470)	67	(23,403)
Employee benefits expense	61,660	128	(61,532)
Other expenses	(4,882)	3	(4,879)
Profit for the period	**13,812**	**82**	**13,894**
Total comprehensive income for the period	**12,601**	**82**	**12,683**

Statement of Financial Position (Extract)	**Amounts under AASBs 118 & 111 $’000**	**Adjustments $’000**	**Amounts under AASB 15 $’000**
Current Assets			
Trade and other receivables	29,016	(270)	28,746
Inventories	32,400	186	32,586
Non-current Assets			
Contract assets	-	102	102
Total Assets	**181,777**	**18**	**181,795**
Current Liabilities			
Current tax liabilities	3,465	(140)	3,325

Non-current Liabilities			
Trade and other payables	5,072	70	5,142
Contract liabilities	-	50	50
Total Liabilities	**68,116**	**(20)**	**68,096**
Equity			
Retained earnings	55,146	227	55,373

Note 21 provides additional disclosures disaggregating revenue by geographical market, major products and services and the timing of revenue recognition.

3.2 Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

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

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

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.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of ‘hold to collect’ contractual cash flows are accounted for at amortised cost using the effective interest method. The Group’s trade and most other receivables fall into this category of financial instruments as well as bonds that were previously classified as held-to-maturity under AASB 139.

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

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Investments in equity instruments fall into this category unless the Group irrevocably elects at inception to account as Equity FVTOCI (see below)

Debt instruments at fair value through other comprehensive income (Debt FVTOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at FVTOCI.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset. This category includes bonds that were previously classified as 'available-for-sale' under AASB 139.

Equity instruments at fair value through other comprehensive income (Equity FVTOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVTOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

Impairment of financial assets

AASB 9's new forward looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and writes off fully any amounts that are more than 90 days past due.

Financial assets at fair value through other comprehensive income

The Group recognises 12 months expected credit losses for financial assets at FVTOCI. As most of these instruments have a high credit rating, the likelihood of default is deemed to be small. However, at each reporting date the Group assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Group relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Group would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrowers operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Group recognises for this instrument or class of instruments the lifetime expected credit losses.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

The Group has designated some financial liabilities at FVPL 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, with changes in fair value recognised in profit or loss. The fair value of loans used to finance these assets correlates significantly with the valuation of the investment properties held by the Group, because both measures are highly reactive to the market interest rate for 30-year government bonds. The loans are managed and evaluated on a fair value basis through a quarterly management review in comparison with the investment property valuations. Therefore, the Group designates such fixed interest rate loans as at FVPL 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.

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

Although the hedge accounting requirements in AASB 9 are intended to make it easier for qualifying for hedge accounting, the Group chose to continue to apply the AASB 139 requirements (as permitted by AASB 9) as this process is well established.

Derivative financial instruments are accounted for at FVPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require 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.

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.

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.

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.

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 January 2018:

	AASB 139 classification	**AASB 9 classification**	**AASB 139 carrying amount $'000**	**AASB 9 carrying amount $'000**
Financial assets				
Trade and other receivables	Loans and Receivables	Amortised cost	28,756	28,746
Derivatives	FVTPL	FVTPL	598	598
Bonds (i)	Held to Maturity	Amortised cost	3,802	3,802
Bonds (ii)	Available for Sale	Debt FVTOCI	180	180
Listed shares (iii)	Available for Sale	FVTPL	360	360
Listed shares (iv)	Available for Sale	Equity FVTOCI	149	149
Financial liabilities				
Borrowings (v)	FVTPL	FVTPL	615	615
Borrowings (vi)	Amortised cost	Amortised cost	19,768	19,768

(i) The Group's government bonds were previously classified as held to maturity under AASB 139. They fall under amortised cost classification in accordance with AASB 9 as they satisfy the solely payments of principal and interest (SPPI) test and are held on a 'hold to collect' business model.

(ii) The Group's corporate bonds were previously classified as available-for-sale under AASB 139. They fall under the Debt FVTOCI classification in accordance with AASB 9 as they satisfy the solely payments of principal and interest (SPPI) test and are held on a 'hold to collect and sell' business model.

(iii) Investment in XY Limited was classified as Available-for-Sale under AASB 139. This falls under FVTPL classification under AASB 9 as investments in equity securities fail the solely payments of principal and interest test (i.e. the contractual cash flow test). The Group decided not to make the irrevocable election on transition to account for these investments at FVTOCI (Equity FVTOCI).

(iv) These investments in other listed securities were classified as Available-for-Sale under AASB 139. The Group chose to make the irrevocable election on transition to classify these investments as Equity FVTOCI as permitted by AASB 9.

(v) AASB 139, US-dollar loans were designated at FVTPL to significantly reduce measurement inconsistencies. The Group continues the FVTPL accounting for these US-dollar loans under AASB 9.

(vi) Borrowings classified as amortised cost under AASB 139. They are continued to be accounted for at amortised cost under AASB 9.

The effect of classification changes arising from transitioning from AASB 139 to AASB 9 are shown below:

	FVTPL **$'000**	**Debt FVTOCI** **(AFS under AASB 139)** **$'000**	**Equity FVTOCI** **(AFS under AASB 139)** **$'000**	**Amortised cost** **(HTM or L&R under AASB 139)** **$'000**	**Total** **$'000**
Opening balance under AASB 139	598	180	509	32,558	33,485
Investments reclassified from AFS to FVTPL	360	-	(360)	-	-
Increase in impairment provision for trade receivables	-	-	-	(10)	(10)
Opening balance under AASB 9	958	180	149	32,548	33,835

The effect of classification changes on the Group's equity are summarised below:

	AFS Reserve **$'000**	**Debt FVTOCI Reserve** **$'000**	**Equity FVTOCI Reserve** **$'000**	**Retained earnings** **$'000**
Opening balance under AASB 139	689	-	-	48,051
Reclassified from AFS to FVTPL	(360)	-	-	360
Reclassified from AFS to Debt FVTOCI	(180)	180	-	-
Reclassified from AFS to Equity FVTOCI	(149)	-	149	-
Total impact	-	180	149	360
Increase in impairment provision for trade receivables	-	-	-	(10)
Opening balance under AASB 9	-	180	149	48,401

4 Estimates

AASB 134.41
AASB 134.16A(d)

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

AASB 134.28
AASB 134.B12

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2017. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5 Significant events and transactions

AASB 134.15
AASB 134.15C

The Group's management believes that the Group is well positioned despite the continuing difficult economic circumstances. Factors contributing to the Group's strong position are:

- no significant decline in order intake experienced on larger projects; further, the Group has several long-term contracts with a number of its customers
- the Group does not expect to need additional borrowing facilities in the next 12 months as a result of its significant financial resources, existing facilities and strong liquidity reserves. The Group has significant headroom to comply with its debt covenants
- the Group's major customers have not experienced financial difficulties. Credit quality of trade receivables as at 30 June 2018 is considered to be good.

Overall, the Group is in a strong position despite the current economic environment, and has sufficient capital and liquidity to service its operating activities and debt. The Group's objectives and policies for managing capital, credit risk and liquidity risk are described in its recent annual financial statements.

6 Business combination

AASB 134.16A(i)
AASB 3.B64(a)-(d)

On 5 April 2018, the Group acquired 100% of the issued share capital and voting rights of Sysmagic Limited (Sysmagic), a Company based in the United Kingdom that operates within the service segment. The objective of the acquisition is to further increase the Group's market share in providing customised IT and telecommunication systems services.

Details of the business combination are as follows:

		$'000
AASB 3.B64(f)	**Fair value of consideration transferred**	
AASB3.B64(f)(i)	Amount settled in cash	18,500
AASB 107.40(a), AASB 3.B64(i)	**Recognised amounts of identifiable net assets**	
AASB 107.40(d)	Property, plant and equipment	5,818
	Intangible assets	8,585
	Total non-current assets	14,403
	Inventories	7,500
	Trade and other receivables	4,449
AASB 107.40(c)	Cash and cash equivalents	324
	Total current assets	12,273
	Borrowings	(2,543)
	Deferred tax liabilities	(1,335)
	Total non-current liabilities	(3,878)
	Provisions	(780)
	Other liabilities	(1,855)
	Trade and other payables	(4,165)
	Total current liabilities	(6,800)

		$'000
	Identifiable net assets	15,998
	Goodwill on acquisition	**2,502**
AASB 107.40(b)	Consideration transferred settled in cash	18,500
AASB 107.40(c)	Cash and cash equivalents acquired	(324)
AASB 107.42	**Net cash outflow on acquisition**	**18,176**
	Acquisition costs charged to expenses	304
	Net cash paid relating to the acquisition	**18,480**

6.1 Consideration transferred

AASB 3.B64(m)

Acquisition-related costs amounting to $304,000 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.

6.2 Identifiable net assets

AASB 3.B67(a)

The fair values of the identifiable intangible assets have been determined provisionally at 30 June 2018, because the acquisition was completed late in the period. The Group is currently obtaining the information necessary to finalise its valuation.

AASB 3.B64(h)(ii)

The fair value of the trade and other receivables acquired as part of the business combination amounted to $4,449,000, with a gross contractual amount of $4,569,000. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to $120,000.

6.3 Goodwill

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

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of Sysmagic which cannot be recognised as an intangible asset. Goodwill has been allocated to cash-generating units at 30 June 2018 and is attributable to the service segment. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

6.4 Sysmagic's contribution to the Group's results

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

Sysmagic contributed $12,232,000 and $1,954,000 to the Group's revenues and profits, respectively from the date of the acquisition to 30 June 2018. Had the acquisition occurred on 1 January 2018, the Group's revenue for the period to 30 June 2018 would have been $128,386,000 and the Group's profit for the period would have been $15,726,000.

7 Segment reporting

AASB 134.16A(g)

Management identifies its operating segments based on the Group's service lines, which represent the main products and services provided by the Group. The Group's three (3) main operating segments are:

- **consulting:** engaged in the sale, customisation and integration of IT and telecommunication systems
- **service:** involved in the maintenance of telecommunication systems
- **retail segment:** engaged in the sale of hardware and software products through the internet

Each of these operating segments is managed separately as each service line requires different technologies and other resources, as well as marketing approaches. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

In addition, two minor operating segments, for which the quantitative thresholds for separate disclosures have not been met, are currently combined below under 'other'. The main sources of revenue for these operating segments are sale and disposal of used IT equipment.

AASB 134.16A(g)(v) During the six month period to 30 June 2018, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

AASB 134.16A(g)(i-iv) The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

	Six months to 30 June 2018	Consulting 2018 $'000	Service 2018 $'000	Retail 2018 $'000	Other 2018 $'000	Total 2018 $'000
	Revenue					
AASB 8.23(a)	From external customers	56,216	21,435	36,576	2,069	116,296
	Discontinued operations	-	-	-	-	-
AASB 8.23(b)	From other segments	346	-	-	-	346
	Segment revenues	**56,562**	**21,435**	**36,576**	**2,069**	**116,642**
AASB 8.23	Segment operating profit	16,977	2,827	2,175	112	22,091
AASB 8.23	Segment assets	73,817	28,146	48,028	3,037	153,028

	Six months to 30 June 2017	Consulting 2017 $'000	Service 2017 $'000	Retail 2017 $'000	Other 2017 $'000	Total 2017 $'000
	Revenue					
AASB 8.23(a)	From external customers	47,843	7,832	31,129	1,761	88,565
	Discontinued operations	-	-	7,832	-	7,832
AASB 8.23(b)	From other segments	145	-	-	-	145
	Segment revenues	**47,988**	**7,832**	**38,481**	**1,761**	**96,062**
	Segment operating profit	10,171	(281)	1,333	(24)	11,199
	Segment assets	60,192	9,854	39,164	2,216	111,426

The Group's segment operating profit reconciles to the Group's profit before tax as presented in its financial statements as follows:

		Six months to 30 Jun 2018 $'000	Six months to 30 Jun 2017 $'000
AASB 8.28(b)	**Profit or loss**		
	Total reporting segment operating profit	21,979	11,223
	Other segment profit	112	(24)
	Rental income from investment property	550	498
	Change in fair value of investment property	55	125
	Share-based payment expenses	(267)	(165)
	Post-employment benefit expenses	(3,150)	(2,850)
	Research and development costs	(986)	(1,250)
	Other income not allocated	202	185
	Other expenses not allocated	(97)	(165)
	Operating profit of discontinued operations	-	(54)
	Elimination of intersegment profits	(81)	(18)
	Group operating profit	18,317	7,505

	Six months to 30 Jun 2018 $'000	Six months to 30 Jun 2017 $'000
Share of profit from equity accounted investments	45	29
Finance costs	(1,547)	(1,585)
Finance income	1,050	465
Other financial items	1,878	1,583
Group profit before tax	**19,743**	**7,997**

8 Seasonal fluctuations

AASB 134.16A(b)

The demand for maintenance and installation of IT and telecommunication systems and equipment (part of the consulting and service segments) is subject to seasonal fluctuations. Historically, peak demand is in the second half of each financial year. Revenues for maintenance and installation for the six months ended 30 June 2018 represented 66% (six months ended 30 June 2017: 43%) of the annual level of these revenues for the year ended 30 June 2018.

The percentage of the six months revenues in 2018 is higher than 2017 due to the effect of the full six months revenue contribution in 2018 of the subsidiary acquired by the Group in September 2017 and the additional three months revenues contributed by a new subsidiary acquired in 2018 (see Note 6). Excluding these items, the revenues for the six months ended 30 June 2018 represent approximately 45% of the annual level of maintenance and installation revenues for the year ended 30 June 2018.

9 Goodwill

The following table shows the movements in goodwill[4]:

		Six months to 30 Jun 2018 $'000	Year to 31 Dec 2017 $'000
AASB 3.B67(d)	**Gross carrying amount**		
	Balance, beginning of period	6,030	3,727
AASB 3.B67(d)(i)	Acquired through business combination	2,502	2,438
AASB 3.B67(d)(ii)	Net exchange difference	(146)	(135)
AASB 3.B67(d)(vi)	**Balance, end of the period**	**8,386**	**6,030**
AASB 3.B67(d)(viii)	**Accumulated impairment**		
	Balance, beginning of the period	(989)	(190)
AASB 3.B67(d)(i)	Impairment loss recognised	-	(799)
AASB 3.B67(d)(v)	Net exchange difference	-	-
AASB 3.B67(d)(vi)	**Balance, end of the period**	**(989)**	**(989)**
AASB 3.B67(d)(viii)	**Carrying amount at the end of the period**	**7,397**	**5,041**

[4] In addition to the requirement of AASB 134.16A(c) to disclose the nature and amount of items affecting assets that are unusual because of their nature, size or incidence, this disclosure is also part of the required disclosure under AASB 3 *Business Combinations* for the business combination that occurred in the current interim period.

10 Other intangible assets

The following tables show the movements in intangible assets[5]:

		Acquired software licenses $'000	Internally generated software $'000	Brand names $'000	Customer lists $'000	Total $'000
AASB 138.118	**Gross carrying amount**					
	Balance at 1 January 2018	**16,469**	**18,046**	**975**	**1,761**	**37,251**
AASB 138.118(e)(i)	Addition, separately acquired	320	-	-	-	320
	Addition, internally developed	-	2,150	-	-	2,150
	Acquisition through business combination	5,850	-	1,250	1,485	8,585
AASB 138.118(e)(vii)	Net exchange differences	(75)	(65)	-	-	(140)
	Balance at 30 June 2018	**22,564**	**20,131**	**2,225**	**3,246**	**48,166**
	Amortisation and impairment					
	Balance at 1 January 2018	**(7,739)**	**(11,602)**	**(287)**	**(199)**	**(19,827)**
AASB 138.118(e)(vi)	Amortisation	(1,283)	(764)	(115)	(129)	(2,291)
AASB 138.118(e)(iv)	Impairment losses	-	-	-	-	-
AASB 138.118(e)(vii)	Net exchange differences	(52)	(46)	-	-	(98)
	Balance at 30 June 2018	**(9,074)**	**(12,412)**	**(402)**	**(328)**	**(22,216)**
	Carrying amount at 30 June 2018	**13,490**	**7,719**	**1,823**	**2,918**	**25,950**
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 30 June 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)**
	Amortisation	(1,978)	(1,315)	(125)	(110)	(3,528)
	Impairment losses	-	(870)	-	-	(870)
	Disposals	350	-	-	-	350
	Net exchange differences	(48)	(36)	-	-	(84)
	Balance at 30 June 2017	**(7,739)**	**(11,602)**	**(287)**	**(199)**	**(19,827)**
	Carrying amount at 30 June 2017	**8,730**	**6,444**	**688**	**1,562**	**17,424**

[5] In this publication, this information is considered a necessary disclosure because of the significant additions and the impact of the business combination. Depending on the circumstances, this type of disclosure might be regarded either as voluntary or as necessary to meet the requirements of AASB 134.15C and AASB 134.16A(c). Other examples of events and transactions where AASB 134 requires disclosures are included in AASB 134.15B.

11 Property, plant and equipment

AASB 134.16A(c) The following tables show the movements in property, plant and equipment[6]:

		Land $'000	Buildings $'000	IT equipment $'000	Other equipment $'000	Total $'000
	Gross carrying amount					
AASB 116.73(d)	**Balance at 1 January 2018**	**8,709**	**20,177**	**7,806**	**2,905**	**39,597**
AASB 116.73(e)(i)	Additions	-	-	35	12	47
AASB 116.73(e)(iii)	Acquisition through business combination	-	2,435	2,527	856	5,818
AASB 116.73(e)(ii)	Disposals	-	-	-	(456)	(456)
AASB 116.73(e)(viii)	Net exchange differences	(15)	(65)	(62)	(46)	(188)
AASB 116.73(d)	**Balance at 30 June 2018**	**8,694**	**22,547**	**10,306**	**3,271**	**44,818**
	Depreciation and impairment					
AASB 116.73(d)	**Balance at 1 January 2018**	**-**	**(13,213)**	**(2,446)**	**(1,499)**	**(17,158)**
AASB 116.73(e)(ii)	Disposals	-	-	-	385	385
AASB 116.73(e)(viii)	Net exchange differences	-	(46)	(55)	(48)	(149)
AASB 116.73(e)(vii)	Depreciation	-	(710)	(602)	(303)	(1,615)
AASB 116.73(d)	**Balance at 30 June 2018**	**-**	**(13,969)**	**(3,103)**	**(1,465)**	**(18,537)**
	Carrying amount at 30 June 2018	**8,694**	**8,578**	**7,203**	**1,806**	**26,281**
	Gross carrying amount					
AASB 116.73(d)	**Balance at 1 January 2018**	**7,697**	**19,362**	**5,579**	**2,594**	**35,232**
AASB 116.73(e)(i)	Additions	-	76	-	-	76
AASB 116.73(e)(iii)	Acquisition through business combination	730	1,221	2,306	365	4,622
AASB 116.73(e)(ii)	Disposals	-	(401)	-	-	(401)
AASB 116.73(e)(iv)	Revaluation increase	303	-	-	-	303
AASB 116.73(e)(viii)	Net exchange differences	(21)	(81)	(79)	(54)	(235)
AASB 116.73(d)	**Balance at 30 June 2017**	**8,709**	**20,177**	**7,806**	**2,905**	**39,597**
	Depreciation and impairment					
AASB 116.73(d)	**Balance at 1 January 2017**	**-**	**(12,159)**	**(1,503)**	**(923)**	**(14,585)**
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)	(540)	(2,745)
AASB 116.73(d)	**Balance at 30 June 2017**	**-**	**(13,213)**	**(2,446)**	**(1,499)**	**(17,158)**
	Carrying amount at 30 June 2017	**8,709**	**6,964**	**5,360**	**5,360**	**22,439**

12 Discontinued operations and non-current assets held for sale

AASB 134.16A(i) The amounts presented in the Statement of Profit or Loss and Other Comprehensive Income under discontinued operations relate to Highstreet Ltd (Highstreet). Most of its assets were sold on 30 September 2017. The remaining storage facility was sold in February 2018 and a gain of $96,000 is presented as discontinued operations for the period ended 30 June 2018.

[6] In this publication, this information is considered a necessary disclosure because of the significant additions and the impact of the business combination. Depending on the circumstances, this type of disclosure might be regarded either as voluntary or as necessary to meet the requirements of AASB 134.15C and AASB 134.16A(c). Other examples of events and transactions where AASB 134 requires disclosures are included in AASB 134.15B.

13 Earnings per share

AASB 134.16A(c) 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 profits were necessary during the six months period to 30 June 2018 and 30 June 2017[7].

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

		Six months to 30 Jun 2018 $'000s	Six months to 30 Jun 2017 $'000s
	Weighted average number of shares used in basic earnings per share	14,970	12,270
AASB 133.70(b)	Shares deemed to be issued for no consideration in respect of share-based payments	14	16
	Weighted average number of shares used in diluted earnings per share	14,984	12,286

14 Share capital

During the first six months of 2018, 350,000 shares were issued to satisfy share options previously granted under the Group's employee share option scheme. During this period, the weighted average share price at the date of exercise was $11.97 (during the last six months of 2017: $11.19).

The Group also issued 1,700,000 shares on 1 March 2018 for cash, corresponding to 13.9% of total shares issued. Each share has the same right to receive dividends and the repayment of capital and represents one vote at the shareholders' meeting of Grant Thornton CLEARR. Shares issued and authorised are summarised as follows:

		Six months to 30 Jun 2018 $'000s	Year to 31 Dec 2017 $'000s
	Amounts in thousand shares		
AASB 101.79(a)(iv)	Shares issued and fully paid:		
	• beginning of the period	13,770	12,000
	• issued under share-based payment plans	350	270
	• share issue	1,700	1,500
AASB 101.79(a)(ii)	**Shares issued and fully paid**	**15,820**	**13,770**
	Shares authorised for share based payments	600	600
AASB 101.79(a)(i)	**Total shares authorised at the end of the period**	**16,420**	**14,370**

15 Dividends

During the first half of 2018, Grant Thornton CLEARR paid dividends of $6,855,000 to its equity shareholders (first half of 2017: $3,000,000). This represents a payment of $0.50 per share (first half of 2017: $0.25). No dividends were paid on new shares issued in 2018 pursuant to the Group's share-based payment scheme.

[7] In this publication, this information is considered a necessary disclosure because of the significant additions and the impact of the business combination. Depending on the circumstances, this type of disclosure might be regarded either as voluntary or as necessary to meet the requirements of AASB 134.15C and AASB 134.16A(c). Other examples of events and transactions where AASB 134 requires disclosures are included in AASB 134.15B.

16 Other components of equity

The following tables show the movements in other components of equity[8]:

		Translation reserve	Revaluation reserve	Debt FVTOCI reserve	Equity FVTOCI reserve	Cash-flow hedges	Defined benefit plans actuarial adjustments[9]	Total
AASB 101.51(d-e)		$'000	$'000	$'000		$'000	$'000	$'000
AASB 101.106(d)	**Balance at 1 January 2018**	**(847)**	**901**	**98**	**-**	**469**	**1,330**	**1,951**
AASB 119.120(c)	Re-measurement of net defined benefit liability	-	-	-	-	-	(1,671)	(1,671)
	Cash flow hedges:							
AASB 7.23(c-d)	• current period gains / (losses)	-	-	-	-	215	-	215
AASB 101.92	• reclassification to profit or loss	-	-	-	-	157	-	157
AASB 7.20(a)(ii)	Debt instruments at FVTOCI:							
	• current period gains / (losses)	-	-	35	-	-	-	35
AASB 101.92	• reclassification to profit or loss	-	-	24	-	-	-	24
	Equity instruments at FVTOCI	-	-	-	100	-	-	100
AASB 121.81(a)	Exchange differences on translating foreign operations	(575)	-	-	-	-	-	(575)
AASB 112.81(a), AASB 101.90	Tax benefit	173	-	-	-	-	531	704
AASB 101.106(a)	Other comprehensive income for the period (all attributable to the parent)	(402)	-	59	100	372	(1,140)	(1,211)
AASB 101.106(d)	**Balance at 30 June 2018**	**(1,249)**	**901**	**157**	**100**	**841**	**190**	**740**

8 This type of disclosure is not specifically required by AASB 134. However, in this publication, this information is considered necessary due to the change in the presentation of the reconciliations of each item of comprehensive income. As discussed in Note 3, these reconciliations are now presented in the notes to the interim financial statements.

9 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**.

		Translation reserve $'000	Revaluation reserve $'000	Available-for-sale financial assets $'000	Cash-flow hedges $'000	Defined benefit plans actuarial adjustments $'000	Total $'000
AASB 101.106(d)	**Balance at 1 January 2017**	**(359)**	**689**	**35**	**(160)**	**(1,351)**	**(1,146)**
AASB 119.120(c)	Re-measurement of net defined benefit liability	-	-	-	-	1,915	1,915
	Cash flow hedges:						
AASB 7.23(c-d)	• current period gains / (losses)	-	-	-	287	-	287
AASB 101.92	• reclassification to profit or loss	-	-	-	178	-	178
AASB 7.20(a)(ii)	Available-for-sale financial assets:						
	• current period gains / (losses)	-	-	(22)	-	-	(22)
AASB 101.92	• reclassification to profit or loss	-	-	(32)	-	-	(32)
AASB 121.81(a),	Exchange differences on translating foreign operations	(414)	-	-	-	-	(414)
AASB 101.90	Tax benefit	125	-	-	-	(575)	(450)
AASB 101.106(a)	Other comprehensive income for the period (all attributable to the parent)	(289)	-	(54)	465	1,340	1,462
AASB 101.106(d)	**Balance at 30 June 2017**	**(648)**	**689**	**(19)**	**305**	**11**	**316**

17 Provisions

AASB 134.15B(c)

A restructuring provision was recognised by the Group in its annual financial statements as at 31 December 2017 in relation to the 'Phoenix Program', amounting to $1,215,000. The estimate of the restructuring provision was reduced by $455,000 in the six months ended 30 June 2018 due to a positive outcome of claims brought against the Group by former employees. The Group's management still expects to settle the remaining termination remuneration by 31 December 2018, predominantly through out of court settlements.

18 Contingent liabilities

AASB 134.15B(m)

During the prior year, various warranty and legal claims were brought against the Group. At 30 June 2018, management considered these claims to be unjustified and no provision had been recognised. During the current period, the counterparties withdrew their claims against the Group.

19 Fair value measurement of financial instruments

19.1 Fair value hierarchy

AASB 13.76,81,86

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, 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 (i.e., as prices) or indirectly (i.e., derived from prices)
- **Level 3:** inputs for the asset or liability that is not based on observable market data (unobservable inputs)

AASB 134.15B(h)
AASB 134.15C

The Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2018 and 31 December 2017 on a recurring basis are as follows:

AASB 13.93(a)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2018				
Assets				
Listed securities and debentures	598	-	-	598
Money market funds	689	-	-	689
US-Dollar contracts:				
• cash flow hedge	-	841	-	841
• other forward exchange contracts held-for-trading	-	94	21	115
Total	**1,287**	**935**	**21**	**2,243**
Liabilities				
US-Dollar loans	-	(7,950)	-	(7,950)
Total	**-**	**(7,950)**	**-**	**(7,950)**
Net fair value	**1,287**	**(7,015)**	**21**	**(5,707)**

AASB 13.93(a)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2017				
Assets				
Listed securities and debentures	582	-	-	582
Money market funds	655	-	-	655
US-Dollar contracts:				
• cash flow hedge	-	469	-	469
• other forward exchange contracts held-for-trading	-	94	28	122
Total	**1,237**	**563**	**28**	**1,828**
Liabilities				
US-Dollar loans	-	(8,220)	-	(8,220)
Total	-	**(8,220)**	**-**	**(8,220)**
Net fair value	**1,237**	**(7,657)**	**28**	**(6,392)**

19.2 Measurement of fair value of financial instruments

AASB 13.93(d)

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

a Listed securities, debentures and money market funds

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

b Foreign currency forward contracts

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

AASB 13.95

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

c US-Dollar loans

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

AASB 13.93(a),(b),(d)

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2018.

19.3 Level 3 fair value measurements

AASB 134.15B(k)
AASB 134.15C

The following table presents the changes in financial instruments classified within Level 3:

	Foreign currency forward contracts	
	2018 $'000	**2017 $'000**
Opening balance	**28**	**34**
Gains or losses recognised in:		
• profit or loss [a]	23	18
• other comprehensive income	-	-
Settlements	(30)	(24)
Closing balance	**21**	**28**

a Gains or losses recognised in profit or loss for the period are presented in 'finance income' and can be attributed as follows:

	2018 $'000	**2017 $'000**
Assets held at the end of the reporting period	21	28
Assets not held at the end of the reporting	2	(10)
Total gains or losses	**23**	**18**

AASB 13.93(h)(ii) There have been no transfers between the levels of the fair value hierarchy during the six months to 30 June 2018.

AASB 13.93(d) Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

AASB 13.93(g) The valuation process is managed by a team in the Group's finance department which performs the valuations of non-property assets required for financial reporting purposes (including Level 3 fair values). The Valuation Team then report to the Group's Chief Financial Officer (CFO) and the Audit and Risk Committee. Discussions on valuation processes and outcomes are held between the Valuation Team, CFO and the Audit and Risk Committee every six months.

AASB 134.16A(j)
AASB 7.25

19.4 Fair values of other financial assets and financial liabilities

The Group also has number of financial instruments which are not measured at fair value in the statement of financial position. These had the following fair values as at 30 June 2018:

	Fair value $'000	Carrying amount $'000
Non-current borrowings		
Other bank borrowings	4,400	4,565
Non-convertible bond	2,200	2,253
Subordinated shareholder loan	4,975	5,000
	11,575	**11,818**
Non-current trade and other payables		
Finance lease liabilities	4,208	4,096
	4,208	**4,096**

AASB 7.29(a) The carrying amounts of the current receivables, current payables and current borrowings are considered to be a reasonable approximation of their fair value.

20 Events after the reporting date[10]

AASB 134.16A(h)
AASB 3.B66
AASB 3.B64(a-d)

On 29 July 2018, the Group acquired 100% of the issued share capital of Servers.com Limited (Servers.com), a Company based in Australia. The objective of the acquisition is to expand the operations of the Group's retail segment.

AASB 3B64(f)(i, iii ,iv)
AASB 3.B66
AASB 3.B64(g)(ii)

The acquisition was settled in cash and by issuing 500,000 shares of Grant Thornton CLEARR. The purchase agreement also provides for an additional consideration of $1,500,000 payable if the average profits of Servers.com for 2018 and 2019 exceed a target level agreed by both parties. Any additional consideration will be paid on 3 October 2020.

AASB 3.B64(f) The fair value of the consideration transferred is as follows:

		$'000
AASB 3.B64(iv)	Fair value of equity shares issued	6,250
AASB 3.B64(i)	Amount settled in cash	7,000
AASB 3.B64(g)(i)	Fair value of contingent consideration	680
	Total	**13,930**

[10] AASB 134.16A(h) requires disclosure of events after the interim period that have not been reflected in the interim financial statements. AASB 134 does not specify the level of detail required. This example illustrates the disclosures required by AASB 3 *Business Combinations* for combinations arising after the reporting date. Other approaches may also be acceptable.

AASB 3.B64(f)(iv) The fair value of the equity shares issued was based on the market value of the Group's traded equity shares at the date of acquisition.

AASB 3.B64(g)(iii) The fair value of the contingent consideration represents the Group's estimate of the probable cash outflows (i.e., reflecting management's estimate of a 50% probability that the targets will be achieved) discounted using an interest rate of 5%.[11]

AASB 3.B66 The Group is in the process of determining the fair values of the acquired assets and assumed liabilities of Servers.com and therefore disclosure of the fair values of the net identifiable assets and the goodwill arising from the acquisition cannot be made. Finalisation of the valuation is expected to be completed before year-end.

21 Revenue

AASB 15.116 For the first six months of 2018, revenue includes $1,359,000 (six months 2017: $1,267,000) included in the contract liability balance at the beginning of the period, and $67,000 (six months 2017: $63,000) from performance obligations satisfied (or partially satisfied) in previous periods due to changes in transaction price.

AASB 15.115 The Group's revenue disaggregated by primary geographical markets is as follows:

	Six months to 30 June 2018				
	Consulting $'000	Service $'000	Retail $'000	Other $'000	Total $'000
Australia(domicile)	50,324	9,256	33,839	2,986	96,405
United Kingdom	5,511	907	3,605	184	10,207
USA	4,987	814	3,245	165	9,211
Other countries	554	90	360	19	1,023
Total	**61,376**	**11,067**	**41,049**	**3,354**	**116,846**

	Six months to 30 June 2017				
	Consulting $'000	Service $'000	Retail $'000	Other $'000	Total $'000
Australia (domicile)	39,721	7,133	20,072	1,263	68,189
United Kingdom	5,465	892	3,884	188	10,429
USA	4,919	802	2,596	169	8,486
Other countries	547	89	1,104	219	1,959
Total	**50,652**	**8,916**	**27,656**	**1,839**	**89,063**

[11] 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 to estimating the fair value of the contingent consideration.

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	Six months to 30 June 2018				
	Consulting $'000	Service $'000	Retail $'000	Other $'000	Total $'000
Goods transferred at a point in time	16,703	1,995	7,931	405	27,034
Services transferred over time	53,216	7,075	28,118	1,403	89,812
Total	**69,919**	**9,070**	**36,049**	**1,808**	**116,846**

	Six months to 30 June 2017				
	Consulting $'000	Service $'000	Retail $'000	Other $'000	Total $'000
Goods transferred at a point in time	11,285	1,962	6,524	415	20,186
Services transferred over time	36,627	6,954	23,631	1,665	68,877
Total	**47,912**	**8,916**	**30,155**	**2,080**	**89,063**

AASB 15.120

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 30 June 2018:

	2018 $'000	2019 $'000	Total $'000
Revenue expected to be recognised	1,575	788	2,363

Prepayments and other assets contain both deferred IT set-up costs and prepayment. IT set-up costs comprise between 1% and 2% of the total labour and materials costs incurred.

	6 months to 30 Jun 2018 $'000	6 months to 30 Jun 2017 $'000
Current		
Deferred customer set-up costs	54	53

Prepayments	149	158
Other current assets	203	211
Non-current		
Deferred customer set-up costs	82	80
Total	**285**	**291**

Directors' Declaration

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 303(4)(d)(ii) i Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

CA 303(4)(d)(i) ii Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and

CA 303(4)(c) b There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

CA 303(5)(a) Signed in accordance with a resolution of the Directors.

CA 303(5)(c) Director
Blake Smith

CA 303(5)(b) Dated the 28th day of August 2018

Independent Auditor’s Review 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.