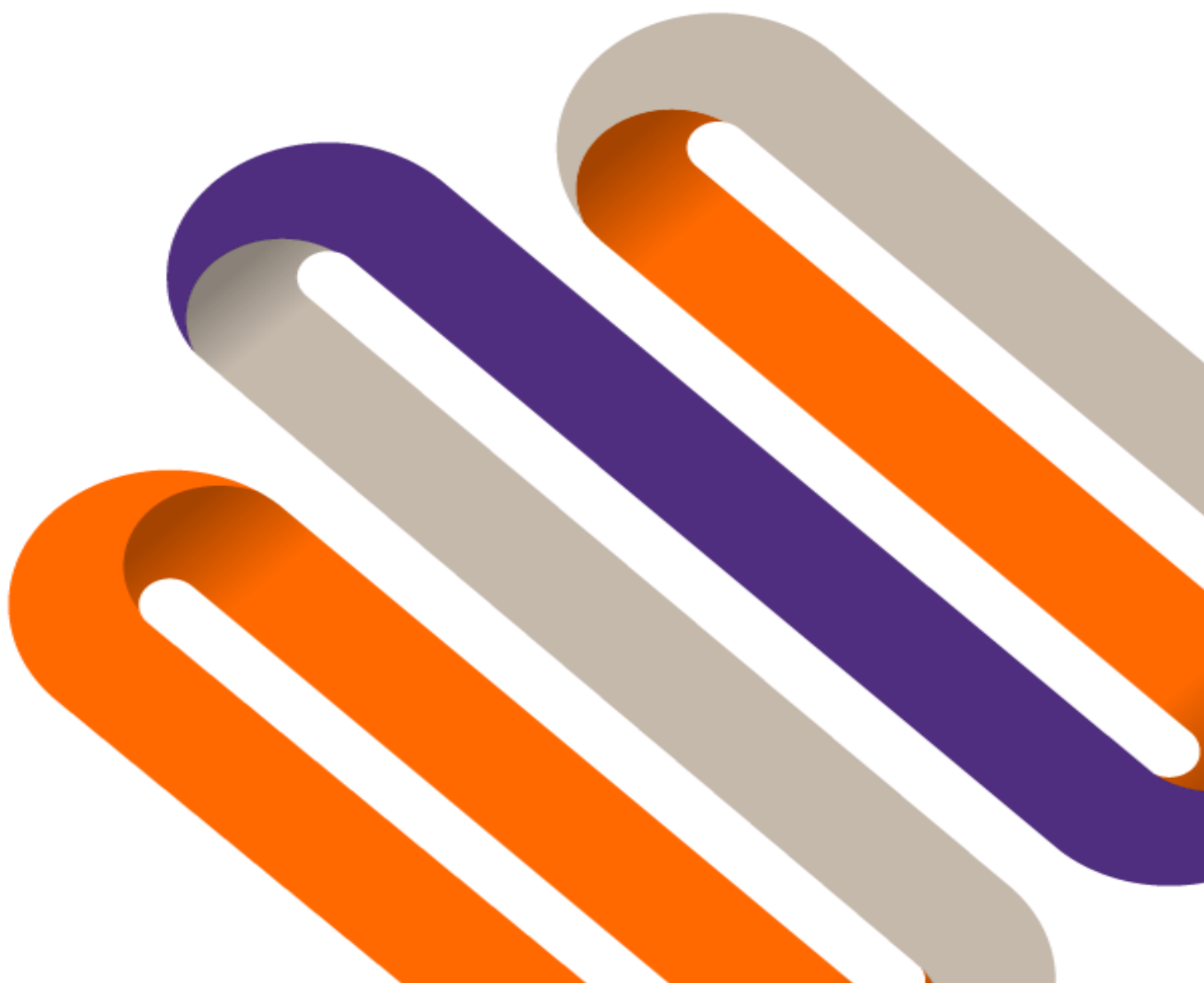


# Example listed public financial statements

Grant Thornton CLEARR Example Ltd  
For the year ended 31 December 2018



# Foreword

Welcome to the December 2018 edition of the example listed public financial statements. This set of illustrative financial statements is one of many prepared by Grant Thornton to assist you in preparing your own financial statements.



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

The full year and half-year periods ending 31 December 2018 represent a major change for many Australian businesses due to the first time application of new revenue and financial instruments requirements. AASB 15 *Revenue from Contracts with Customers* (for-profit entities) and AASB 9 *Financial Instruments* (for-profit and not-for-profit entities) apply for the first time this reporting period. More significant changes are on their way with AASB 15 and AASB 1058 *Income of Not-for-Profit Entities* (not-for-profit entities) and AASB 16 *Leases* (for-profit and not-for-profit entities) coming into effect from 1 January 2019.

ASIC is also ramping up its surveillance activities with increased focus on the first time application of new major standards and quantification of the expected impact of accounting standards issued but not yet effective. Adding to the complexity in financial reporting, there is uncertainty as to when and how the Australian government will respond to the recommendations arising from the legislative review of the Australian Charities and Not-for-profits Commission (ACNC), particularly with respect to recommended changes to reporting thresholds for not-for-profit entities. In addition, the Australian government has recently introduced proposals to double the financial reporting thresholds for large proprietary companies effective from 1 July 2019.

Furthermore, the AASB continues to make progress on its project to reform the Australian financial reporting framework which proposes 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. To navigate through all these complexities and uncertainties, it is important that Australian entities remain focused and proactive with their implementation projects and work closely with their advisors and auditors.

Our objective in preparing the example financial statements was to illustrate one possible approach to financial reporting by an entity engaging in transactions that are 'typical' across a range of non-specialist sectors. However, as with any example, this illustration does not envisage every possible transaction and cannot therefore be regarded as comprehensive.

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

We have reviewed and updated these financial statements to reflect changes in Australian Accounting Standards that are effective for the year ending 31 December 2018. However, no account has been taken of any new developments published after 7 January 2019. The Grant Thornton website contains any updates that are relevant for 31 December 2018 financial statements, including our Technical Accounting Alert on "What's new for December 2018".

We trust this publication will help you work through the December 2018 reporting season. We welcome your feedback on the format and content of this publication. Please contact us on [national.assurance.quality@au.gt.com](mailto:national.assurance.quality@au.gt.com) or get in touch with your local Grant Thornton representative to let us know your thoughts.



**Andrew Rigele**

National Head of Audit and Assurance  
Grant Thornton Australia Limited  
January 2019

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# Directors Report

The Directors of Grant Thornton CLEARR Example Ltd (Grant Thornton CLEARR) present their report<sup>1</sup> together with the financial statements of the consolidated entity, being Grant Thornton CLEARR (the Company) and its Controlled Entities (the Group) for the year ended 31 December 2018.

## Directors' details

CA 300 (1) (c)

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

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

### Mr Blake Smith B. Eng

Managing Director  
Director since 2014

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

#### Other current Directorships:

None

#### Previous Directorships (last 3 years):

Phoenix Limited  
(Appointed 8 August 2016;  
Resigned 30 November 2017)

#### Interests in shares:

403,565 shares

#### Interest in options:

None

### Ms Beth King CA, MBA

Independent Non-Executive Director  
Audit and Risk Committee Chair and Member of  
the Nomination and Remuneration Committee  
Director since 2012

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

#### Other current Directorships:

Sapphire Mine Limited  
(Appointed 15 July 2015)

#### Previous Directorships (last 3 years):

Balcombe Holdings Limited  
(Appointed 1 March 2017;  
Resigned 17 September 2018)

#### Interests in shares:

21,203 shares

#### Interest in options:

None

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

**Mr Simon Murphy**  
**LLB (Hons)**

Independent Non-Executive Director  
Independent Chairman / Nomination and  
Remuneration Committee Chair and Member of  
Audit and Risk Committee  
Director since 2015

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

**Other current Directorships:**

Holden Limited  
(Appointed 21 March 2014)  
Fremont Trading Limited  
(Appointed 10 November 2015)

**Previous Directorships (last 3 years):**

None

**Interests in shares:**

None

**Interest in options:**

None

**Mrs Alison French**  
**BA (Hons)**

Chief Executive Officer  
Director since 2014

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

**Other current Directorships:**

None

**Previous Directorships (last 3 years):**

None

**Interests in shares:**

215,123 shares

**Interest in options:**

41,082

**Mr William Middleton**  
**BEC, FCA**

Appointed 28 November 2018  
Independent Non-Executive Director  
Member of the Nomination and Remuneration  
Committee and Member of Audit and Risk  
Committee

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

**Other current Directorships:**

Fisher Group Limited  
(Appointed 23 October 2012)

Luxor Resources Limited  
(Appointed 30 March 2014)

Leyton Supplies Limited  
(Appointed 18 February 2015)

**Previous Directorships (last 3 years):**

Sketches Group Limited  
(Appointed 15 March 2016;  
Resigned 17 August 2017)

**Interests in shares:**

10,000 shares

**Interest in options:**

None

## Company Secretary

CA 300 (10)(d)

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

## Principal activities

CA 299(1)(c)

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

- sale, customisation and integration of IT and telecommunications systems
- maintenance of IT and telecommunications systems
- internet based selling of hardware and software products

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

## Review of operations and financial results

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

The Group is a key participant in the IT and telecommunications services market, holding a market share of approximately 35%. While the Group's Services and Retail segments have a diverse customer base, 12% of the Consulting segment's revenues depended on a single customer (2017: 11%).

In October 2018, the Group announced that it had been the target of an unsolicited takeover offer. The Directors believed that this offer significantly undervalued the Group. The offer caused some disruption, diverting management time from daily operations, and the Group incurred one-off costs of approximately \$0.2m in relation to the offer. The offer has since been withdrawn.

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

The operating result of the Group has increased to \$15.9m (2017: \$11.9m); this is mainly due to the cost control measures implemented during the year which have allowed increased revenue with a lower proportionate cost base.

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

Earnings per share have increased during the year to \$1.27 (2017: \$0.99) which has allowed both an interim and final dividend to be declared.

Additional capital raising activities were undertaken during the year which raised \$16.7m and allowed the Group to fund the Goodtech Ltd acquisition via a cash settlement as well as positioning the Group in a strong cash position for 2019 to allow for future acquisitions, if appropriate opportunities arise.

The Group's net assets increased by 65% compared to the previous year, which is largely due to the Group's capital raising activities.

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



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

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

## Significant changes in the state of affairs

CA 299(1)(b)

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

### 1 Acquisition of Goodtech Ltd:

- on 31 March 2018, the Group acquired 100% of the equity instruments of Goodtech Ltd (Goodtech), a Brisbane based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the retail market for computer and telecommunications hardware in Australia. Goodtech is a significant business in Australia in the Group's targeted market. The cost of the acquisition was \$16.06m which was settled in cash

### 2 disposal of Highstreet Limited:

- on 30 September 2018, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Limited. The subsidiary was classified as held for sale in the 2016 financial statements. There was a loss on disposal of \$29,000

### 3 issue of share capital:

- on 30 September 2018, the Group issued 1,500,000 shares as part of its capital raising program which resulted in proceeds of \$16.7m, each share has the same terms and conditions as the existing ordinary shares

## Dividends

CA 300(1)(a)

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

CA 300(1)(b)

In addition to the interim dividend and since the end of the financial year, Directors have declared a fully franked final dividend of \$6,885,000 (50 cents per share) to be paid on 15 April 2019 (2017: \$Nil).

## Events arising since the end of the reporting period

CA 299(1)(d)

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

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

## Likely developments, business strategies and prospects

CA 299(1)(d)  
CA 299(1)(c)

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

- upgrading our online sales portal
- further expanding our distribution networks

- further reducing manufacturing costs; and
- a strong marketing campaign.

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

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

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

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

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

## Directors' meetings

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

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

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

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

Where:

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

## Unissued shares under option

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

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

Date options granted	Expiry date	Exercise price of shares (\$)	Number under option
5 January 2014	4 January 2019	5.74	90,749
1 January 2015	31 December 2019	6.24	29,175
1 February 2018	31 December 2022	7.61	100,000
			<b>219,924</b>

All options expire on the earlier of their expiry date or termination of the employee's employment. These options were issued under either the Star or Stay Program (described in Note 23.2 to the financial statements) and have been allotted to individuals on condition that they serve specified time periods as an employee of the Group before becoming entitled to exercise the options. These options do not entitle the holder to participate in any share issue of the Company.

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

CA 300(1)(f)

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

Date options granted	Issue price of shares (\$)	Number of shares issued
1 January 2016	6.24	270,000

## Remuneration Report (audited)

CA 300(1)

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based remuneration; and
- Other information

### a Principles used to determine the nature and amount of remuneration

CA 300(1)(a)

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

- to align rewards to business outcomes that deliver value to shareholders

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

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

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

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

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

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

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

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

#### Short Term Incentive (STI)

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

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

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

#### Performance areas

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

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

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

#### Use of remuneration consultants

Grant Thornton CLEARR Example Ltd Nomination and Remuneration Committee employed the services of ABC Remuneration Consulting Pty Ltd to review and to provide recommendations in respect

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

CA 300(1)(h)

of the amount and elements of executive remuneration, including short-term and long-term incentive plan design.

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

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

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

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

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

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

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

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

CA 300(1)(g)

Grant Thornton CLEARR Example Ltd received 92% of 'yes' votes on its Remuneration Report for the financial year ending 31 December 2017. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

#### Consequences of performance on shareholder wealth

CA 300(1)(b)

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

	2018	2017	2016	2015	2014
EPS (cents)	1.27	0.99	1.10	1.12	1.02
Dividends (cents per share)	75	-	35	10	5
Net profit / loss (\$'000)	15,902	11,990	10,368	8,941	6,739
Share price (\$)	11.36	8.52	7.83	6.00	5.75

## b Details of remuneration

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

Director and other Key Management Personnel		Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments		
Employee	Year	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options	Total	Performance based on % of remuneration
Executive Directors										
Blake Smith	2018	\$459,000	\$60,000	\$70,000	\$75,000	\$21,000	-	-	\$685,000	8.8%
Managing Director	2017	\$435,000	\$15,000	\$60,000	\$70,000	\$20,000	-	-	\$600,000	2.5%
Alison French	2018	\$381,000	\$70,000	\$75,000	\$58,000	\$19,000	-	\$8,000	\$611,000	12.8%
Director and CEO	2017	\$363,000	\$15,000	\$65,000	\$53,000	\$17,000	-	\$50,000	\$563,000	11.5%
Non-executive Directors										
Beth King	2018	\$60,000	-	-	\$10,000	-	-	-	\$70,000	0.0%
Independent	2017	\$55,000	-	-	\$10,000	-	-	-	\$65,000	0.0%
Simon Murphy	2018	\$80,000	-	-	\$10,000	-	-	-	\$90,000	0.0%
Independent	2017	\$75,000	-	-	\$10,000	-	-	-	\$85,000	0.0%
William Middleton	2018	\$15,000	-	-	\$1,350	-	-	-	\$16,350	0.0%
Independent <sup>2</sup>	2017	-	-	-	-	-	-	-	-	-

<sup>2</sup> William Middleton – Appointed 28 November 2018

Director and other Key Management Personnel		Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments			
Employee	Year	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options	Total	Performance based on % of remuneration	
Other Key Management Personnel											
Louise Johnston	2018	\$169,000	\$40,000	\$45,000	\$31,000	\$10,000	-	\$20,000	\$336,000	17.9%	
General Manager, Sales	2017	\$181,000	\$30,000	\$35,000	\$31,000	\$9,000	-	\$23,000	\$309,000	17.2%	
Nick Morgan – CFO /	2018	\$266,000	\$20,000	-	\$30,000	\$14,000	-	\$25,000	\$355,000	12.7%	
Company Secretary	2017	\$266,000	-	-	\$30,000	\$14,000	-	\$27,000	\$337,000	8.0%	
John Harbour – General	2018	\$162,000	-	-	\$23,500	\$8,000	\$100,000	-	\$293,500	-	
Manager, Manufacturing <sup>3</sup>	2017	\$195,000	\$20,000	-	\$23,500	\$10,000	-	\$25,000	\$273,500	16.5%	
Andrew West – General	2018	\$33,000	-	-	\$3,150	\$2,000	-	-	\$38,150	-	
Manager, Manufacturing <sup>4</sup>	2017	-	-	-	-	-	-	-	-	-	
Eric Stevens	2018	\$266,000	\$25,000	\$30,000	\$55,000	\$14,000	-	\$25,000	\$415,000	12.0%	
Chief Operating Officer	2017	\$257,000	\$10,000	\$30,000	\$45,000	\$13,000	-	\$25,000	\$380,000	9.2%	
Kendra Thompson	2018	\$242,000	\$20,000	-	\$40,000	\$13,000	-	\$25,000	\$340,000	13.2%	
Chief Information Officer	2017	\$223,000	\$10,000	-	\$38,500	\$11,000	-	\$25,000	\$307,500	11.4%	
2018 Total	2018	\$2,155,000	\$235,000	\$220,000	\$337,000	\$100,000	\$100,000	\$103,000	\$3,250,000	-	
2017 Total	2017	\$2,049,000	\$100,000	\$190,000	\$311,000	\$95,000	-	\$175,000	\$2,920,000	-	

<sup>3</sup> John Harbour – Resigned 31 October 2018

<sup>4</sup> Andrew West – Appointed 1 November 2018

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

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

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

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

### c Service agreements

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

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

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



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

#### **d Share-based remuneration**

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

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

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

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

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

Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 20-25% of the market price determined at grant date.

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

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

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

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

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

Employee	Number granted	Granted date	Value per option at grant date (\$)	Value of options at grant date (\$)	Number vested	Exercise process (\$)	Vesting and first exercise date	Last exercise date
Blake Smith	-	-	-	-	-	-	-	-
Alison French	3,582	1 August 2018	6.70	23,999	-	7.61	1 August 2020	31 December 2020
Louise Johnston	8,955	1 August 2018	6.70	59,999	-	7.61	1 August 2020	31 December 2020
Andrew West	-	-	-	-	-	-	-	-
Eric Stevens	11,194	1 August 2018	6.70	75,000	-	7.61	1 August 2020	31 December 2020
Kendra Thompson	11,194	1 August 2018	6.70	75,000	-	7.61	1 August 2020	31 December 2020
Nick Morgan	11,194	1 August 2018	6.70	75,000	-	7.61	1 August 2020	31 December 2020

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

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

Employee	Date of exercise of option	Number of ordinary shares issued on exercise of options	Value of options at exercise date (\$)*
Alison French	21 September 2018	37,500	262,500
Louise Johnston	21 September 2018	10,000	70,000
Nick Morgan	21 September 2018	20,250	141,750
John Harbour	21 September 2018	18,750	131,250
Eric Stevens	21 September 2018	12,750	89,250
Kendra Thompson	21 September 2018	18,750	131,250

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

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

Employee	Number of options forfeited (lapsed) during the year	Financial year in which those options were granted
Blake Smith	-	2017
Blake Smith	-	2016
Louise Johnston	-	2016
Nick Morgan	-	2015

#### e Bonuses included in remuneration

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

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

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

## f Other information

### Options held by key management personnel

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

The number of options to acquire shares in the Company held during the 2018 reporting period by each of the key management personnel of the Group; including their related parties are set out below. No options are held by Directors, except for Alison French (2018: 41,082 options).

Employee	Balance at start of year end	Granted as remuneration	Exercised	Other changes	Vested and exercisable at the end of the reporting period	Vested and un-exercisable at the end of the reporting period
<b>Year ended 31 December 2018</b>						
A. French	37,500	3,582	(37,500)	-	-	3,582
L. Johnston	17,250	8,955	(10,000)	-	7,250	8,955
N. Morgan	20,250	11,194	(20,250)	-	-	11,194
J. Harbour *	18,750	-	(18,750)	-	-	-
E. Stevens	18,750	11,194	(12,750)	-	6,000	11,194
K. Thompson	18,750	11,194	(18,750)	-	-	11,194
	<b>131,250</b>	<b>46,119</b>	<b>(118,000)</b>	<b>-</b>	<b>13,250</b>	<b>46,119</b>

\* J. Harbour resigned 31 October 2018

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

### Shares held by key management personnel

The number of ordinary shares in the Company during the 2018 reporting period held by each of the Group's key management personnel, including their related parties, is set out below:

Employee	Balance at start of the year	Granted as remuneration	Received on exercise	Other changes	Held at the end of the reporting period
<b>Year ended 31 December 2018</b>					
B Smith	403,565	-	-	-	403,565
B King	21,203	-	-	-	21,203
A French	177,623	-	37,500	-	215,123
W Middleton	-	-	-	10,000	10,000
N Morgan	24,000	-	10,000	-	34,000
J Harbour *	41,000	-	20,250	-	61,250
E Stevens	15,851	-	18,750	-	34,601
K Thompson	12,554	-	12,750	-	25,304
	<b>695,796</b>	<b>-</b>	<b>99,250</b>	<b>10,000</b>	<b>805,046</b>

\* J. Harbour resigned 31 March 2018

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

### Loans to key management personnel

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

The Group allows its employees to take up limited short-term loans to fund merchandise and other purchases through the Group's business contacts. This facility is also available to the Group's key management personnel. The table below provides aggregate information relating to Group's loans to key management personnel during the year:

	2018 \$'000
Balance at the start of the year	1,000
Interest paid and payable for the year	-
Interest not charged	3,200
<b>Balance at the end of the year</b>	<b>1,000</b>

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

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

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

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

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

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

### Other transactions with key management personnel

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

During 2018, the Group used the legal services of one Company Director (Mr William Middleton) and the law firm over which he exercises significant influence. The amounts billed related to this legal service amounted to \$21,000 (2017: \$Nil), based on normal market rates and was fully paid as of the reporting date.

End of audited Remuneration Report.

## Environmental legislation

CA 299 (1f)

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

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

### Insurance of officers

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

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

CA 300(9)(c)

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

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

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

### Indemnity of auditors

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

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

### Non-audit services

CA 300(11B)/(11C)

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

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

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

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

### Proceedings of behalf of the Company

CA 300(14) / (15)

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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

## Rounding of amounts

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

## Auditors Independence Declaration

CA 307C

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 20 of this financial report and forms part of this Directors' Report.

CA 298 (2a)

Signed in accordance with a resolution of the Directors.

CA 298 (2c)

Blake Smith  
Director

CA 298 (2b)

28 February 2019



# Auditor's Independence Declaration

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**Grant Thornton Audit Pty Ltd**  
Level 17  
383 Kent Street  
Sydney, NSW  
2000  
T +61 2 8297 2400  
F +61 2 9299 4445

## Auditor's Independence Declaration To the Directors of Grant Thornton CLEARR Example Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Grant Thornton CLEARR Example Ltd for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- 1 No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- 2 No contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A B Partner  
Partner – Audit & Assurance  
Sydney, 28 February 2019

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Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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# Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Grant Thornton CLEARR Example Ltd and its Controlled Entities (the Group) have adopted the third edition of the *Corporate Governance Principles and Recommendations*<sup>5</sup>.

The Group's Corporate Governance Statement for the financial year ending 31 December 2018 is dated as at 31 December 2018 and was approved by the Board on 15 January 2019. The Corporate Governance Statement is available on Grant Thornton CLEARR's website at [www.gtclearr.com.au/corporategovernance](http://www.gtclearr.com.au/corporategovernance).

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

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

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

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

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

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

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

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

According to AASB 101.90, an entity shall disclose the amount of income tax relating to each component of other comprehensive income either on the face of the statement of profit or loss and other comprehensive income or in the notes. In this example, the entity presents components of other comprehensive income before tax, with one amount shown for the aggregate amount of income tax relating to all components of other comprehensive income (AASB 101.91(b)). Alternatively, the entity may present each component of other comprehensive income net of related tax effects (AASB 101.91(a)). If the tax effects of each component of other comprehensive income are not presented on the face of the statement, this information shall be presented in the notes (see Note 25.2).

**New reporting guidance for AASB 9:** As a result of corresponding amendments arising from AASB 9 *Financial Instruments* now require separate presentation of the following line items in the statement of profit and loss:

- interest revenue calculated using the effective interest rate method, separately from other revenue (AASB 101.82(a))\*
- gains and losses from the derecognition of financial assets measured at amortised cost (AASB 101.82(aa))\*
- impairment losses determined in accordance with section 5.5 of AASB 9, including reversals of impairment losses or impairment gains (AASB 101.82(ba))
- gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss\*
- gains and losses reclassified from OCI as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss.

\*not illustrated as not material/not applicable to Grant Thornton CLEARR Example Ltd though interest is recognised under effective interest rate method, it is not considered to be revenue as earning of interest is not part of the entity's ordinary activity but incidental benefit.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
AASB 101.51(c)			
AASB 101.51(d-e)			
AASB 101.82(a)	Revenue	5	205,793
AASB 101.85	Other income		299
AASB 101.85	Changes in inventories		(7,923)
AASB 101.85	Costs of material		(42,535)
AASB 101.85	Employee benefits expense	23	(113,809)
AASB 101.85	Change in fair value of investment property	17	310
AASB 101.85	Depreciation of property, plant and equipment	16	(2,735)
AASB 101.85	Amortisation of intangible assets	20	(3,528)
AASB 101.85	Impairment of goodwill	19	(799)
AASB 101.85	Impairment of other intangible assets	20	(870)
AASB 101.85	Other expenses		(12,191)
IAS 1.82(ba)	Impairment gains (losses) of financial assets		(164)
		<b>21,848</b>	<b>16,533</b>
AASB 101.82(c)	Share of net profit from associates and joint ventures accounted for using the equity method	15	391
AASB 101.82(b)	Finance costs	7	(1,701)
AASB 101.85	Finance income	7	1,224
AASB 101.85	Other financial items	8	943
	<b>Profit before income tax</b>	<b>22,705</b>	<b>17,183</b>
AASB 101.82(d)	Income tax expense	9	(6,794)
	<b>Profit for the year from continuing operations</b>	<b>15,911</b>	<b>12,295</b>
AASB 101.82(ea)	Loss for the year from discontinued operations	10	(9)
AASB 101.81A(a)	<b>Profit for the year</b>	<b>15,902</b>	<b>11,970</b>

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

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

For the year ended 31 December 2018

AASB 101.51(c)	Notes	2018	2017
AASB 101.51(d-e)		\$'000	\$'000
<b>Other comprehensive income</b>			
AASB 101.82A(a)(i)	<i>Items that will not be reclassified subsequently to profit or loss:</i>		
	Equity instruments at FVOCI - fair value changes	13	(35)
AASB 116.77(f)	Revaluation of land	16	303
AASB 119.120(c)	Re-measurement of net defined benefit liability	23	3,830
AASB 101.90/91(b)	Income tax on items that will not be reclassified to profit or loss	25	(1,240)
AASB 101.82A(a)(i)	<i>Items that may be reclassified subsequently to profit or loss</i>		
	Cash flow hedging:	13	
AASB 7.24C(b)(i)	• current year gains/(losses)	890	540
AASB 7.24C(b)(iv)	• reclassification to profit or loss	(640)	(712)
	Debt instruments at FVOCI	13	
	• current year gains/(losses)	35	-
	• reclassification to profit or loss	-	-
	Available-for-sale financial assets:	13	
AASB 7.20(a)(ii)	• current year gains/(losses)	-	(22)
AASB 7.20C(a)(ii)/ AASB 101.92	• reclassification to profit or loss	-	-
AASB 21.52(b)	Exchange differences on translating foreign operations	(664)	(341)
AASB 101.82A(b)	Share of other comprehensive income of equity accounted investments	2	-
AASB 101.90/91(b)	Income tax on items that may be reclassified to profit or loss	25	176
AASB 101.91A(b)	<b>Other comprehensive income for the period, net of tax</b>	<b>2,657</b>	<b>(2,919)</b>
AASB 101.91A(c)	<b>Total comprehensive income for the period</b>	<b>18,559</b>	<b>9,051</b>
	Profit for the year attributable to:		
AASB 101.81B(b)(i)	• non-controlling interest	121	116
AASB 101.81B(b)(ii)	• owners of the parent	15,781	11,854
		<b>18,902</b>	<b>11,970</b>
	Total comprehensive income attributable to:		
	• non-controlling interest	121	-
	• owners of the parent	18,438	8,935
		<b>18,559</b>	<b>9,051</b>

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

AASB 101.51(c)	Notes	2018	2017
AASB 101.51(d-e)		\$'000	\$'000
	Total comprehensive income attributable to owners of the parent:		
AASB 101.81B(b)(i)	• continuing operations	18,568	12,295
AASB 101.81B(b)(ii)	• discontinued operations	(9)	(325)
		<b>18,559</b>	<b>11,970</b>
	<b>Earnings per share</b>	26	
AASB 133.67A	<i>Basic earnings per share:</i>		
AASB 133.66	• earnings from continuing operations		1.27
AASB 133.68A	• loss from discontinued operations		(0.00)
AASB 133.66	<b>Total</b>	1.27	0.99
AASB 133.67A	<i>Diluted earnings per share:</i>		
AASB 133.66	• earnings from continuing operations		1.27
AASB 133.68A	• loss from discontinued operations		(0.00)
AASB 133.66	<b>Total</b>	1.27	0.99

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

## Guidance Note: Consolidated Statement of Financial Position

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

If the entity:

- 1 Applies an accounting policy retrospectively;
- 2 Makes a retrospective restatement of items in its financial statements for correction of material errors; or
- 3 Reclassifies items in the financial statements,

the entity shall present a statement of financial position as at the beginning of the earliest comparative period, i.e. an extra comparative statement of financial position at, for example, 1 January 2017 (AASB 101.10(f) and AASB 101.39).

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

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

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

# Consolidated Statement of Financial Position

As at 31 December 2018

		Notes	2018 \$'000	2017 \$'000	1 January 2017 \$'000
AASB 101.51(c)					
AASB 101.51(d-e)					
	<b>Assets</b>				
	<b>Current</b>				
AASB 101.60, AASB 101.66					
AASB 101.54(i)	Cash and cash equivalents	11	34,729	11,197	9,987
AASB 101.54(h)	Trade and other receivables	12	32,720	25,406	20,719
AASB 15.105	Contract assets	5	109	-	-
AASB 101.55	Other assets	5	297	-	-
AASB 101.54(g)	Inventories	14	18,298	17,226	18,571
AASB 101.55	Derivative financial instruments	13	716	442	490
AASB 101.54(d)	Other short-term financial assets	13	655	649	631
			<b>87,524</b>	<b>54,920</b>	<b>50,389</b>
AASB 101.54(j)	Assets and disposal group classified as held for sale	10	103	3,908	-
AASB 101.60	<b>Total current assets</b>		<b>87,627</b>	<b>58,828</b>	<b>50,398</b>
AASB 101.60, AASB 101.66	<b>Non-current</b>				
AASB 101.54(e), AASB 128.38	Investments accounted for using the equity method	15	860	467	104
AASB 101.54(a)	Property, plant and equipment	16	22,199	20,397	20,746
AASB 101.54(b)	Investment property	17	12,662	12,277	12,102
AASB 101.54(o), AASB 101.56	Deferred tax assets	18	-	905	852
AASB 101.57	Goodwill	19	5,041	3,537	1,234
AASB 101.54(c)	Other intangible assets	20	17,424	13,841	10,664
AASB 15.105	Contract assets	5	185	-	-
AASB 101.54(d)	Other financial assets	13	4,051	3,880	4,327
AASB 101.60	<b>Total non-current assets</b>		<b>62,422</b>	<b>55,304</b>	<b>50,029</b>
	<b>Total assets</b>		<b>150,049</b>	<b>114,132</b>	<b>100,427</b>

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



## Consolidated Statement of Financial Position (continued)

As of 31 December 2018

	Notes	2018 \$'000	2017 \$'000	1 January 2017 \$'000
AASB 101.51(c)				
AASB 101.51(d-e)				
AASB 101.51(c-e)				
AASB 101.60, AASB 101.69				
AASB 101.54(k)				
AASB 101.54(m)				
AASB 101.54(m)				
AASB 101.54(l)				
AASB 101.55				
AASB 101.54(n)				
AASB 15.105				
AASB 101.55				
AASB 101.54(p)				
AASB 101.55				
AASB 101.60, AASB 101.69				
AASB 101.54(k)				
AASB 101.54(m)				
AASB 101.55				
AASB 101.54(o), AASB 101.56				
AASB 101.55				
AASB 101.55				
AASB 101.55				
AASB 101.55				
AASB 101.55				
AASB 101.54(r)				
AASB 101.54(r)				
AASB 101.55				
AASB 101.54(r)				
AASB 101.54(q)				
AASB 101.55				
<b>Liabilities</b>				
<b>Current</b>				
Trade and other payables	21	9,009	7,056	7,672
Borrowings	13	4,815	3,379	3,818
Derivative financial instruments	13	-	160	-
Provisions	22	1,215	3,345	4,400
Employee benefits	23	1,467	1,496	1,336
Current tax liabilities		4,174	930	208
Contract liabilities	24	2,123	2,291	-
Other liabilities	24	641	1,184	2,832
		<b>23,444</b>	<b>19,841</b>	<b>20,266</b>
Liabilities included in disposal group held for sale	10	-	449	-
<b>Current liabilities</b>		<b>23,444</b>	<b>22,290</b>	<b>20,266</b>
<b>Non-current</b>				
Trade and other payables	21	4,060	4,459	4,765
Borrowings	13	21,070	21,265	21,405
Employee benefits	23	10,386	13,642	8,932
Deferred tax liabilities	18	1,903	-	-
Other liabilities	24	2,014	1,500	1,600
<b>Total non-current liabilities</b>		<b>39,433</b>	<b>40,866</b>	<b>36,702</b>
<b>Total liabilities</b>		<b>62,877</b>	<b>61,156</b>	<b>56,968</b>
<b>Net assets</b>		<b>87,172</b>	<b>52,976</b>	<b>43,459</b>
<b>Equity</b>				
Equity attributable to owners of the parent:				
Share capital		33,415	15,050	15,050
Share option reserve		764	466	-
Other components of equity	25	2,265	(414)	2,505
Retained earnings		50,015	37,282	25,428
		<b>86,459</b>	<b>52,384</b>	<b>42,983</b>
Non-controlling interest		713	592	476
<b>Total equity</b>		<b>87,172</b>	<b>52,976</b>	<b>43,459</b>

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

## Guidance Note: Consolidated Statement of Changes in Equity

Entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements (AASB 101.106(d)(ii) and AASB 101.106A). These **Example Financial Statements** present the reconciliations for each component of other comprehensive income in the notes to the financial statements (see Note 25.2). This reduces duplicated disclosures and presents a clearer picture of the overall changes in equity.

AASB 2 *Share-based Payment* requires an entity to recognise equity-settled share-based payment transactions as changes in equity but does not specify how this is presented, e.g. in a separate reserve within equity or within retained earnings. In our view, either approach would be allowed under Australian Accounting Standards. Share option reserve has been credited with an increase in equity in this example (see also Note 4.23).

# Consolidated Statement of Changes in Equity

For the year ended 31 December 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)								
AASB 101.106(d)		<b>15,050</b>	-	<b>2,505</b>	<b>25,363</b>	<b>42,918</b>	<b>476</b>	<b>43,394</b>
AASB 101.106(b)	3.1	-	-	-	65	65	-	65
AASB 101.106(d)		<b>15,050</b>	-	<b>2,505</b>	<b>25,428</b>	<b>42,983</b>	<b>476</b>	<b>43,459</b>
	23	-	466	-	-	466	-	466
AASB 101.106(d)(iii)		-	466	-	-	466	-	466
AASB 101.106(d)		-	-	-	11,839	11,839	116	11,955
AASB 101.106(b)		-	-	-	15	15	-	15
AASB 101.106(d)		-	-	-	11,854	11,854	116	11,970
AASB 101.106A	25	-	-	(2,919)	-	(2,919)	-	(2,919)
		-	-	<b>(2,919)</b>	<b>11,854</b>	<b>8,935</b>	<b>116</b>	<b>9,051</b>
AASB 101.106(d)		<b>15,050</b>	<b>466</b>	<b>(414)</b>	<b>37,282</b>	<b>52,384</b>	<b>592</b>	<b>52,976</b>
AASB 101.106(d)		<b>15,050</b>	<b>466</b>	<b>(414)</b>	<b>37,282</b>	<b>52,384</b>	<b>592</b>	<b>52,976</b>
	3.2	-	-	22	(47)	(25)	-	(25)
	3.2	-	-	-	(1)	(1)	-	(1)

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

## Consolidated Statement of changes in Equity (continued)

For the year ended 31 December 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)								
<b>Adjusted balance at 1 January 2018</b>		<b>15,050</b>	<b>466</b>	<b>(392)</b>	<b>37,234</b>	<b>52,358</b>	<b>592</b>	<b>52,950</b>
Dividends	26	-	-	-	(3,000)	(3,000)	-	(3,000)
Issue of share capital under share-based payment	25	1,685	-	-	-	1,685	-	1,685
Employee share-based payment options	23	-	298	-	-	298	-	298
Issue of share capital	25	16,680	-	-	-	16,680	-	16,680
AASB 101.106(d)(iii)								
Total transactions with owners		18,365	298	-	(3,000)	15,663	-	15,663
AASB 101.106(d)(i)								
Profit for the year		-	-	-	15,781	15,781	121	15,902
AASB 101.106(d)(ii)								
Other comprehensive income	25	-	-	2,657	-	2,657	-	2,657
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>2,657</b>	<b>15,781</b>	<b>18,438</b>	<b>121</b>	<b>18,559</b>
AASB 101.106(d)								
<b>Balance at 31 December 2018</b>		<b>33,415</b>	<b>764</b>	<b>2,265</b>	<b>50,015</b>	<b>84,459</b>	<b>713</b>	<b>87,172</b>

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

## Guidance Note: Consolidated Statement of Cash Flows

This format illustrates the direct method of determining operating cash flows (AASB 107.18(a)).

An entity may also determine the operating cash flows using the indirect method (AASB 107.18(b)).

# Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
AASB 107.51 (e-c)			
AASB 107.10			
	<b>Operating activities</b>		
	Receipts from customers	205,909	191,751
	Payments to suppliers and employees	(177,972)	(166,020)
	Income taxes paid	(1,948)	(5,588)
	Net cash from continuing operations	25,989	20,143
	Net cash (used in) / from discontinued operations	10 (22)	811
	<b>Net cash from operating activities</b>	<b>27 25,967</b>	<b>20,954</b>
AASB 107.10	<b>Investing activities</b>		
	Purchase of property, plant and equipment	(76)	(3,281)
	Proceeds from disposals of property, plant and equipment	86	-
	Purchase of other intangible assets	(3,666)	(3,235)
	Proceeds from disposals of other intangible assets	924	-
AASB 107.39	Acquisition of subsidiaries, net of cash acquired	32 (15,491)	(12,075)
AASB 107.39	Proceeds from sale of subsidiaries, net of cash disposed of	32 3,117	-
	Proceeds from disposals and redemptions of non-derivative financial assets	228	132
AASB 107.31	Interest received	7 752	447
AASB 107.31	Dividends received	7 62	21
AASB 107.35	Taxes paid	(467)	(140)
	<b>Net cash used in investing activities</b>	<b>(14,531)</b>	<b>(18,131)</b>
AASB 107.10	<b>Financing activities</b>		
	Proceeds from bank loans	1,441	-
	Repayment of bank loans	(3,778)	(649)
	Proceeds from issue of share capital	18,365	-
AASB 107.31	Interest paid	6 (1,015)	(985)
AASB 107.31	Dividends paid	25 (3,000)	-
	<b>Net cash from / (used in) financing activities</b>	<b>12,013</b>	<b>(1,634)</b>

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

## Consolidated Statement of Cash Flows (continued)

	Notes	2018 \$'000	2017 \$'000
AASB 107.45	Net change in cash and cash equivalents	23,449	1,189
	Cash and cash equivalents, beginning of year	11,219	9,987
AASB 107.28	Exchange differences on cash and cash equivalents	61	43
		34,729	11,219
	Included in disposal group	10	(22)
AASB 107.45	<b>Cash and cash equivalents, end of year</b>	<b>34,729</b>	<b>11,197</b>

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

# Notes to the Consolidated Financial Statements<sup>6</sup>

## 1 Nature of operations

AASB 101.51(a)  
AASB 101.51(b)

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

AASB 101.138(b)

These activities are grouped into the following service lines:

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

## 2 General Information and statement of compliance

AAASB 1054.7-9  
AAASB 101.16  
AAASB 1054.8(b)  
AASB 101.117(a)

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

AASB 101.138(a)  
AASB 101.138(c)

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

AASB 101.51(c)  
AASB 110.17

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the Board of Directors on 28 February 2019.

## 3 Changes in significant accounting policies

AASB 108.28(a)-(d),(f),(g)

### 3.1 Correction of prior period of error

AASB 108.29

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

Statement of financial position (extract)	31 December 2017			31 December 2016		
	Previous amount	Adjustment	Restated amount	Previous amount	Adjustment	Restated amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	21,407	(650)	20,397	21,421	(675)	20,746
Deferred tax asset	959	(54)	905	895	(43)	852
Current borrowings	(3,498)	119	(3,379)	(3,936)	118	(3,818)

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



Statement of financial position (extract)	31 December 2017			31 December 2016		
	Previous amount	Adjustment	Restated amount	Previous amount	Adjustment	Restated amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current borrowings	(21,930)	665	(21,265)	(22,070)	665	(21,405)
Net assets	53,896	80	52,976	43,394	65	43,459
Retained earnings	(37,202)	(80)	(37,282)	(25,363)	(65)	(25,428)
<b>Total equity</b>	<b>(52,896)</b>	<b>(80)</b>	<b>(52,976)</b>	<b>(43,394)</b>	<b>(65)</b>	<b>(43,459)</b>

Statement of profit or loss and other comprehensive income (extract)	31 December 2017		
	Previous amount	Adjustment	Restated amount
	\$'000	\$'000	\$'000
Changes in inventories	(6,801)	(14)	(6,815)
Finance costs	(1,946)	38	(1,908)
<b>Profit before income tax</b>	<b>17,162</b>	<b>21</b>	<b>17,183</b>
Income tax expense	(4,882)	(6)	(4,888)
Loss from discontinued operation	(325)	-	(325)
<b>Profit for the period</b>	<b>11,955</b>	<b>15</b>	<b>11,970</b>
Other comprehensive income	(2,919)	-	(2,919)
<b>Total comprehensive income for the period</b>	<b>9,036</b>	<b>15</b>	<b>9,051</b>
Total comprehensive income attributable to:			
• non-controlling interests	116	-	116
• owners of the parent	8,920	15	8,935
	<b>9,036</b>	<b>15</b>	<b>9,051</b>
Basic earnings per share (cents)	1.02	0.01	1.03
Diluted earnings per share (cents)	1.02	0.01	1.03

## 3.2 New standards adopted as at 1 January 2018<sup>7</sup>

### 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 applied 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

<sup>7</sup> 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.

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

#### **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.

#### **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 totaling to \$585. These provisions have been re-measured under AASB 137 at \$185.

#### **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.

On the date of initial application of AASB 15, 1 January 2018, the impact to retained earnings of the Group as follows:

Impacted area	Other equity	Retained earnings	Total equity
	\$	\$	\$
IT service set up costs	-	267	267
Remeasurement of loss contracts	-	400	400
	-	(667)	(667)

AASB 15.C8

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 ending 31 December 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 AASB 118 & 111	Adjustments	Amounts under AASB 15
	\$'000	\$'000	\$'000
Revenue	206,128	(335)	205,793
Changes in inventories	(7,978)	55	(7,923)
Costs of material	(42,602)	67	(42,535)
Employee benefits expense	(113,937)	128	(113,809)
Other expenses	(12,194)	3	(12,191)
<b>Profit for the year</b>	<b>15,820</b>	<b>82</b>	<b>15,902</b>
<b>Total comprehensive income for the year</b>	<b>18,477</b>	<b>82</b>	<b>18,559</b>

Statement of Financial Position (Extract)	Amounts under AASB 118 & 111	Adjustments	Amounts under AASB 15
	\$'000	\$'000	\$'000
<b>Current Assets</b>			
Trade and other receivables	32,990	(270)	32,720
Inventories	18,112	186	18,298
<b>Non-current Assets</b>			
Prepayment and other assets	-	406	406
<b>Total Assets</b>	<b>149,727</b>	<b>322</b>	<b>150,049</b>
<b>Current Liabilities</b>			

Statement of Financial Position (Extract)	Amounts under AASB 118 & 111 \$'000	Adjustments \$'000	Amounts under AASB 15 \$'000
Current tax liabilities	4,314	(140)	4,174
<b>Non-current Liabilities</b>			
Trade and other payables	8,939	70	9,009
<b>Total Liabilities</b>	<b>62,947</b>	<b>(70)</b>	<b>62,877</b>
<b>Equity</b>			
Retained earnings	49,790	225	50,015

### AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. 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.

AASB 9.7.2.15

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. 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.

AASB 9.7.2.22  
AASB 9.7.2.24

AASB 9 also contains new requirements on the application of hedge accounting. The new hedge accounting looks to align hedge accounting with entities' risk management activities look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

AASB 9.7.2.22  
AASB 9.7.2.24

The adoption of AASB 9 has impacted the following areas:

### Classification and measurement of the Group's financial assets

Listed equity investments - Available for sale financial assets under AASB 139 included listed equity investments of \$343,000 at 31 December 2017. These were reclassified to fair value through profit or loss (FVPL) under AASB 9. \$22,000 was transferred from the available for sale financial assets reserve to retained earnings on 1 January 2018.

Unlisted equity investments - Available for sale financial assets under AASB 139 included unlisted equity investments in XY Ltd of \$433,000 at 31 December 2017 that were measured at cost less impairment because fair value could not be reliably measured. These were reclassified to fair value through other comprehensive income (equity FVOCI) under AASB 9 because this is held as a long-term investment and remeasured at fair value of \$460,000. Retained earnings was increased by \$27,000 on 1 January 2018 (relating to a previous impairment). There was no transfer from available for sale financial asset reserve to the equity FVOCI reserve on 1 January 2018.

Corporate bonds - Available for sale financial assets under AASB 139 included corporate bonds of \$1,915,000 at 31 December 2017. These were reclassified to fair value through other comprehensive income (debt FVOCI) under AASB 9. At the date of initial application the Group's business model is to both to collect contractual cash flows and sell the bonds. The contractual cash flows are solely principal and interest. There was no transfer from available for sale financial asset reserve to the debt FVOCI reserve on 1 January 2018.

Government bonds - Held to maturity financial assets under AASB 139 was government bonds of \$1,189,000 at 31 December 2017. These were reclassified at amortised cost under AASB 9. The Group intends to hold these to maturity to collect the contractual cash flows and these cash flows are solely payments of principal and interest.

### Impairment of financial assets

The Group's debt instruments carried at amortised cost (government bonds) and debt instruments carried at fair value through other comprehensive income (debt FVOCI) (corporate bonds) are subject to AASB 9's new three-stage expected credit loss model. The Australian government bonds and corporate bonds are considered to be low credit risk and therefore the impairment allowance is determined as 12 months expected credit losses. Certain non-Australian government bonds were determined to have a significant increase in credit risk since initial recognition and therefore the impairment allowance is determined as lifetime expected credit losses. An impairment allowance of \$30,000 was included on 1 January 2018 in respect of the non-Australian government bonds. No impairment allowance was recognised for the Australian government bonds or the corporate bonds.

For trade receivables and contract assets under AASB 15 the Group applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component. The impairment allowance for trade receivables was increased by \$22,000 at 1 January 2018.

### Hedge accounting

All of the Group's forward exchange contracts had been designated as hedging instruments in cash flow hedges under AASB 139. All hedging relationships that were hedging relationships under AASB 139 at the 31 December 2017 reporting date, meet AASB 9's criteria for hedge accounting at 1 January 2018 and are therefore regarded as continuing hedging relationships.

### Reconciliation of financial instruments on adoption of AASB 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were reclassified as follows:

	Notes	Measurement Category		Carrying Amount		
		Original AASB 139 category	New AASB 9 category	Closing balance 31 December 2017 (AASB 139)	Adoption of AASB 9	Opening balance 1 January 2018 (AASB 9)
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>						
<b>Current financial assets</b>						
Trade and other receivables	12	Amortised cost	Amortised cost	23,441	(22)	23,419
Derivative instruments (not used for hedge accounting)	13.7	FVPL	FVPL	212	-	212
Derivatives - Hedge accounting applied	13.7	Fair value with effective movements included in cash flow hedge reserve	Fair value with effective movements included in cash flow hedge reserve	230	-	230

AASB 7.42l (a),(b)  
AASB 108.8.28(f)

		Measurement Category		Carrying Amount		
	Notes	Original AASB 139 category	New AASB 9 category	Closing balance 31 December 2017 (AASB 139)	Adoption of AASB 9	Opening balance 1 January 2018 (AASB 9)
		\$'000	\$'000	\$'000	\$'000	\$'000
Other short-term financial assets	13.4	FVPL	FVPL	649	-	649
Cash and cash equivalents	11	Amortised cost	Amortised cost	11,197	-	11,197
				<b>35,729</b>	<b>(22)</b>	<b>35,707</b>
<b>Non-current financial assets</b>						
Government bonds	13.3	Held to maturity	Amortised cost	1,189	(30)	1,159
Corporate bonds	13.6	Available for sale	Debt FVOCI	1,915	-	1,915
Listed equity securities	13.6	Available for sale	FVPL	343	-	343
Unlisted equity securities - XY Ltd	13.6	Available for sale	Equity FVOCI	433	27	460
				<b>3,880</b>	<b>(3)</b>	<b>3,877</b>
<b>Total financial asset balance</b>				<b>39,609</b>	<b>(25)</b>	<b>39,584</b>
<b>Liabilities</b>						
<b>Current financial liabilities</b>						
Derivative financial instrument	13.7	Derivatives used for hedging (FV)	Derivatives used for hedging (FV)	160	-	160
Trade and other payables	21	Amortised cost	Amortised cost	11,515	-	11,515
US-dollar loan	13.8	Amortised cost	Amortised cost	255	-	255
Other bank borrowings	13.8	Amortised cost	Amortised cost	3,124	-	3,124
				<b>15,054</b>	<b>-</b>	<b>15,054</b>

Measurement Category				Carrying Amount		
Notes	Original AASB 139 category	New AASB 9 category	Closing balance 31 December 2017 (AASB 139)	Adoption of AASB 9	Opening balance 1 January 2018 (AASB 9)	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Non-current financial liabilities						
US-dollar loan	13.8	Amortised cost	Amortised cost	7,965	-	7,965
Non-convertible bond	13.8	Amortised cost	Amortised cost	8,300	-	8,300
Subordinate shareholder loan	13.8	Amortised cost	Amortised cost	5,000	-	5,000
				21,265	-	21,265
Total financial liabilities				36,319	-	36,319

Reconciliation of the statement of financial position balances from AASB 139 to AASB 9 at 1 January 2018:

	AASB 139 carrying amount 2017 \$'000	Re- classification \$'000	Re- measurement \$'000	AASB 9 carrying amount 2018 \$'000
<b>Fair value through profit or loss (FVPL)</b>				
Closing balance 31 December 2017- AASB 139	861			
From available for sale (AFS) - listed equities		343		
Opening balance 1 January 2018 - AASB 9	<b>861</b>	<b>343</b>	<b>-</b>	<b>1,204</b>
<b>Fair value through other comprehensive income (FVOCI) (including available for sale 2017)</b>				
Closing balance 31 December 2017 - AASB 139 - Available for sale	2,691			
To FVPL - Listed equities		(343)		
Unlisted equities - XY Ltd			27	
Opening balance 1 January 2018 - AASB 9 - Debt FVOCI plus equity FVOCI	<b>2,691</b>	<b>(343)</b>	<b>27</b>	<b>2,375</b>

	AASB 139 carrying amount 2017 \$'000	Re- classification \$'000	Re- measurement \$'000	AASB 9 carrying amount 2018 \$'000
<b>Held to maturity</b>				
Closing balance 31 December 2017	1,189			
To amortised cost		(1,189)		
Opening balance 1 January 2018 - AASB 9	<b>1,189</b>	<b>(1,189)</b>	-	-
<b>Amortised cost</b>				
Closing balance 31 December 2017 - AASB 139	34,638			
From Available for sale (AFS) - government bonds		1,189		
Impairment - receivables			(22)	
Impairment - government bond			(30)	
Opening balance 1 January 2018 - AASB 9	<b>34,638</b>	<b>1,189</b>	<b>(52)</b>	<b>35,775</b>

AASB 108.28 (f)(i)  
AASB 7.42L

Reconciliation of equity for the impact of AASB 9 at 1 January 2018:

Impacted area	AFS financial assets reserve \$'000	FVOCI reserve \$'000	Retained earnings \$'000
Closing balance 31 December 2017 - AASB 139	(22)	-	37,282
Reclassify listed equities from AFS to FVPL	22	-	(22)
Remeasurement - unlisted equities XY Ltd	-	-	27
Impairment - receivables	-	-	(22)
Impairment - government bonds	-	-	(30)
Opening balance 1 January 2018 - AASB 9	-	-	37,235

### 3.3 Other amended standard adopted by the Group which do not have a material impact on the financial statements

- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers to Investment Property, Annual Improvements 2017-2016 Cycle and other Amendments*
- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*



### 3.4 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

AASB 108.30,31

Refer to the latest Grant Thornton TA Alert on accounting standards issued but not yet effective, available on our website: <http://www.grantthornton.com.au/en/insights/technical-publications--ifrs/local-technical-and-financial-reporting-alerts/>

#### Guidance Note:

Entities should disclose their significant accounting policies. However, AASB 101 gives limited guidance about what a significant policy could be AASB 101.117. It also states that significant accounting policies should comprise:

- the measurement basis (or bases) used in preparing the financial statements, and
- the other accounting policies used that are relevant to an understanding of the financial statements.

Deciding which accounting policies are significant requires judgement. The nature of the entity's operations may cause an accounting policy to be significant even if the amounts involved are not material, entities should also consider (AASB 101.117 and AASB 101.121-122):

- the extent of judgement, estimation uncertainty or complexity involved in applying the policy.
- whether the policy was developed for a type of transaction not covered by Australian Accounting Standards.
- whether disclosing the policy would assist users in understanding particular transactions or events.

The accounting policies disclosures should be clear and specific as these add value and insight to the users.

## 4 Summary of accounting policies

### 4.1 Overall Considerations

AASB 101.114(b)  
AASB 101.117(b)

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

### 4.2 Basis of consolidation

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

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

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

AASB 10B88

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

AASB 10.22  
AASB 10.B94

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

### 4.3 Business combination

AASB 101.117(a)  
AASB 101.117(b)  
AASB 3.4  
AASB 3.37  
AASB 3.18

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

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

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

### 4.4 Investments in associates and joint arrangements

AASB 11.15-16

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

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

AASB 128.10

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

AASB 11.24

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

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

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

## 4.5 Foreign currency translation

### Functional and presentation currency

AASB 121.53  
AASB 101.51(d)

The consolidated financial statements are presented in Australian Dollars (\$AUD), which is also the functional currency of the Parent Company.

### Foreign currency transactions and balances

AASB 101.117(a)  
AASB 101.117(b)

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

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

### Foreign operations

AASB 121.47

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Australian-Dollar (\$AUD) are translated into \$AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

AASB 121.48

On consolidation, assets and liabilities have been translated into \$AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into \$AUD at the closing rate. Income and expenses have been translated into \$AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

## 4.6 Segment reporting

AASB 8.22(a)

The Group has three operating segments: consulting, service and retail segments. In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group.

AASB 8.22(b)

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

AASB 8.27(a)

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

AASB 8.27(b-d)

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

- post-employment benefit expenses
- expenses relating to share-based payments
- research costs relating to new business activities; and

- revenue, costs and fair value gains from investment property

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

AASB 8.27(e)

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

## 4.7 Revenue

### Guidance Note:

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.

AASB 101.117(b)

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.

AASB 15.9-12  
AASB 15.22  
AASB 15.47  
AASB 15.73  
AASB 15.31  
AASB 15.49  
AASB 15.74  
AASB 15.47

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.

AASB 15.106  
AASB 15.107  
AASB 15.108

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

AASB 101.117(b)  
AASB 15.31  
AASB 15.119(a)

Revenue from sale of hardware or software for a fixed fee with no significant service obligation is recognised when or as the Group has transferred control of the assets to the customer. Invoices for goods or services transferred are due upon receipt of customer.

AASB 15.35(c)  
AASB 15.B40  
AASB 15.74

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.

For sales of software that are neither customised by the Group nor subject to significant integration services, the licence period commences upon delivery. For sales of software subject to significant customisation or integration services, the licence period begins upon commencement of the related services.

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.

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.

AASB 15.124(b)  
AASB 15.35(a)  
AASB 15.124 (a)

- **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.

AASB 15.124(b)

**Guidance Note:**

The Group provides both standard-type warranties accounted for under AASB 137 and extended-type warranties treated as separate performance obligations in AASB 15. When determining the nature of warranty-related promises, an entity considers:

- Whether the customer has the options to separately purchase the warranty
- Whether all or part of the warranty provides the customer with an additional service beyond the basic assurance that it will perform in accordance with published specifications.

**Consulting and IT Services**

AASB 15.35(c)  
AASB 15.124(a)  
AASB 15.107

The Group provides consulting services relating to the design of telecommunications systems strategies and IT security. Revenue from those services is recognised on a time-and-material basis as services are provided. Customers are invoiced weekly as work progresses. Any amounts remaining unbilled at the end of the reporting period are presented in the statement of financial position as accounts receivables.

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**

AASB 15.35(b)  
AASB 15.74

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.

AASB 15.39  
AASB 15.41  
AASB 15.124 (a)

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.

AASB 15.106  
AASB 15.63

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

AASB 15.91  
AASB 15.94

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 of 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 are incurred.

#### Accounting policy applicable to comparative period (31 December 2017)

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

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

#### Sale of goods (hardware or software)

AASB 101.117(b)

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

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

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

AASB 101.117(b)

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

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

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



### Construction contracts for telecommunication solutions

AASB 101.117(b)

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

AASB 111.39(b)  
AASB 118.35(a)

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

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

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

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

A construction contracts' stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date. The maximum amount of revenue to be recognised for each milestone is determined by estimating relative contract fair values of each project phase (i.e. by comparing the Group's overall contract revenue with the expected profit for each corresponding milestone). Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total estimated costs for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

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

### Interest and dividend income

AASB 118.30

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

## 4.8 Operating expenses

AASB 101.117(b)  
AASB 137.14

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

## 4.9 Borrowing costs

AASB 101.117(b)  
AASB 123.8

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



## 4.10 Profit or loss from discontinued operations

AASB 5.32

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

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

AASB 5.33

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale.

AASB 5.34

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

## 4.11 Goodwill

AASB 3 - Appendix A

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

## 4.12 Other intangible assets

### Recognition of other intangible assets

#### *Brand names and customer list*

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

Brand names and customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values (see Note 4.3).

#### **Internally developed software**

AASB 138.57  
AASB 101.117(b)

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

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

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

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

Costs that are directly attributable include employees' (other than Directors') costs incurred on software development, along with an appropriate portion of relevant overheads and borrowing costs.

### Subsequent measurement

AASB 138.72  
AASB 138.74  
AASB 138.118(a)  
AASB 138.118(b)

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 4.15.

The following useful lives are applied:

- software: 3-5 years
- brand names: 15-20 years
- customer lists: 4-6 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 4.15.

AASB 138.118(d)

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

AASB 138.20

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

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

## 4.13 Property, plant and equipment

### Land

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

Land held for use in production or administration is stated at revalued amounts. Revalued amounts are fair market values based on appraisals prepared by external professional valuers once every two years or more frequently if market factors indicate a material change in fair value. Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

AASB 116.73(b)

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

### Buildings, IT equipment and other equipment

AASB 116.73(a)  
AASB 101.117(a)

Buildings, IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Buildings and IT equipment also include leasehold property held under a finance lease. Buildings, IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

AASB 116.43  
AASB 116.73(b)  
AASB 116.73(c)

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

- buildings: 25-50 years

- IT equipment: 2-5 years
- other equipment: 3-12 years

AASB 117.27

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually

AASB 116.43  
AASB 116.73(b)  
AASB 116.73(c)

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

## 4.14 Leased assets

### Finance leases

AASB 117.8  
AASB 117.10  
AASB 117.15A  
AASB 117.16

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

The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

### Operating leases

AASB 117.33

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

### The Group as a lessor

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

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

AASB 101.117(b)  
AASB 136.66  
AASB 136.80

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

AASB 136.90  
AASB 136.15  
AASB 136.10 (b)  
AASB 136.9

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

AASB 101.122  
AASB 101.117(a)  
AASB 136.59  
AASB 136.18  
AASB 136.30-31

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those

cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

## 4.16 Investment property

AASB 140.5  
AASB 140.75(a)

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

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

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

AASB 101.117(b)  
AASB 140.33  
AASB 140.35

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

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively, and are recognised as described in Notes 4.6 and 4.7.

## 4.17 Financial instruments

### Recognition, initial measurement and derecognition

AASB 7.21  
AASB 9.3.1.1  
AASB 101.117(b)

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

AASB 101.117(b)  
AASB 9.3.2.3  
AASB 9.3.3.1

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

### Classification and subsequent measurement of financial assets

AASB 101.117(a)  
AASB 9.5.11  
AASB 9.5.1.3

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)

AASB 9.5.2.1

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

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

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

AASB 9.4.11

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

AASB 7.20(a)

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.

### Subsequent measurement financial assets

#### ***Financial assets at amortised cost***

AASB 9.4.12

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

#### ***Financial assets at fair value through profit or loss (FVPL)***

AASB 9.4.14

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

#### ***Equity instruments at fair value through other comprehensive income (Equity FVOCI)***

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities - XY Ltd that were previously classified as 'available-for-sale' under AASB 139.

#### ***Debt instruments at fair value through other comprehensive income (Debt FVOCI)***

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 debt FVOCI.

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

### ***Impairment of Financial assets***

AASB 9.5.5.1

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### **Guidance Note:**

Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive ('cash shortfalls'). This difference is discounted at original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

### ***Trade and other receivables and contract assets***

AASB 9.5.5.15  
AASB 9.B5.5.35

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 assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. 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.

**Guidance Note:**

The assessment of impairment for trade receivables can either be individually or collectively and is based on how an entity manages its credit risk. If an entity has a small number of receivables with large value and these receivables are managed on an account basis (i.e. individually) it may not be appropriate in that case to base the impairment on a provision matrix as such a matrix would unlikely be in line with the expected credit loss of the individual receivable.

***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.

AASB 9.5.5.15  
AASB 9.B5.5.35

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.

AASB 9.5.3.1  
AASB 9.4.2.1  
AASB 9.5.3.2

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).

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

***Derivative financial instruments and hedge accounting***

AASB 9.7.2.22

The Group applies new hedge accounting requirements of AASB 9 prospectively. All hedging relationships that were hedging relationships under AASB 139 at the 31 December 2017 reporting date meet the AASB 9's criteria for hedge accounting at 1 January 2018 and are therefore regarded as continuing hedging relationships.

AASB 9.6.4.1

Derivative financial instruments are accounted for at FVPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

AASB 7.21A

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.

AASB 9.6.5.11

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.

AASB 9.6.5.11 (d)

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.

AASB 9.6.5.12

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.

## Accounting policies applicable to comparative period (31 December 2017)

### Classification and subsequent measurement of financial assets

Until 31 December 2017, the group classified its financial assets in the following categories:

- loans and receivables
- financial assets at fair value through profit or loss (FVPL)
- Held-to-maturity (HTM) investments; or
- Available-for-sale (AFS) financial assets

AASB 7.B5(f)

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

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

### Loans and receivables

AASB 101.117(a)  
AASB 101.117(b)

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

AASB 7.B5(f)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

### Financial assets at fair value through profit or loss (FVPL)

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

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



AASB 7.B5(e)

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

#### *Held-to-maturity (HTM) investments*

AASB 101.117(a)  
AASB 101.117(b)

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

AASB 7.B5(f)

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

#### *Available-for-sale (AFS) financial assets*

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

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

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

AASB 101.117(a)  
AASB 101.117(b)

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

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

#### *Classification and subsequent measurement of financial liabilities*

AASB 101.117(b)

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

AASB 101.117(a)

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

AASB 101.117(b)

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

#### *Derivative financial instruments and hedge accounting*

AASB 101.117(b)

Derivative financial instruments are accounted for at FVPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify

for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

AASB 7.22(a)  
AASB 7.22(c)

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

AASB 101.117(a)

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

AASB 101.117(b)

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

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

If a forecast transaction is no longer expected to occur any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

## 4.18 Inventories

AASB 102.36(a)  
AASB 102.9  
AASB 102.10-15  
AASB 102.25  
AASB 102.6

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

## 4.19 Income taxes

AASB 112.5  
AASB 101.117(a)  
AASB 101.117(b)

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

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

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

AASB 101.117(a)

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

AASB 101.122  
AASB 112.24,34

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

AASB 112.71-74

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

AASB 101.117(b)

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

UIG1052(16)(a)

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

## 4.20 Cash and cash equivalents

AASB 107.46

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

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

AASB 101.117(a)

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

AASB 101.117(b)  
AASB 7.46

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

AASB 5.15  
AASB 5.5

Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

## 4.22 Equity, reserves and dividend payments

AASB 101.79(b)

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

Other components of equity include the following:

- **revaluation reserve:** comprises gains and losses from the revaluation of land
- **net defined benefit liability:** comprises the actuarial losses from changed in demographic and financial assumptions and the return on plan assets
- **foreign currency translation reserve:** comprises foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into \$AUD

- **reserves and cash flow hedges:** comprises gains and losses relating to these types of financial instruments
- **debt FVOCI:** comprises gains and losses relating to corporate bonds
- **equity FVOCI:** comprises gains and losses relating to unlisted equity securities - XY Ltd
- **AFS financial assets and cash-flow hedge reserves (2017):** comprises gains and losses relating to these types of financial instruments

Retained earnings include all current and prior period retained profits.

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

AASB 124.3

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

## 4.23 Employee benefits

### Short-term employee benefits

AASB 119.11

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

### Other long-term employee benefits

AASB 119.8, 155, 156

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

AASB 101.69(d)

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

### Post-employment benefit plans

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

#### Defined contribution plans

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

### Defined benefit plans

AASB 19.135(a)	Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the Defined Benefit Plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.
AASB 19.135(b)	The liability recognised in the statement of financial position for Defined Benefit Plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets.
AASB 119.76	Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth and mortality. Discount rates are determined by reference to market yields at the end of the reporting periods on high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.
AASB 119.57(d)	Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income. They are included as a separate component of equity in the statement of financial position and in the statement of changes in equity.
AASB 119.103	Service cost on the net defined benefit liability is included in employee benefits expense. Net interest expense on the net defined benefit liability is included in finance costs.

## 4.24 Share-based employee remuneration

AASB 101.117(b)	The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.
AASB 101.117(a) AASB 2.10 AASB 2.11	All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).
AASB 2.8 AASB 2.20 AASN 2.19	All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.
AASB 2.20 AASB 2.23	Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.  Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

## 4.25 Provisions, contingent liabilities and contingent assets

AASB 101.117(b) AASB 137.14	Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.
AASB 137.72	

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

AASB 101.117(a)  
AASB 37.36  
AASB 37.45

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

AASB 137.33

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

AASB 37.27-28

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

## 4.26 Goods and Services Tax (GST)

UIG 1031.6-7

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

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

## 4.27 Rounding of amounts

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

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

## 4.28 Significant management judgement in applying accounting policies

AASB 101.122

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

### Guidance Note:

AASB 101 provides general guidance on disclosures about judgements. Other standards, such as AASB 7, AASB 12 *Disclosure of Interests in Other Entities* and AASB 15 supplement AASB 101 by reporting disclosures about particular judgements.

The following are examples of disclosures for management judgement under AASB 101.122. Entities should disclose judgements that have the most significant effect on the amounts recognized in the financial statements. These can be disclosed in either the accounting policies or the other noted to the financial statements.

AASB 101.122

### Significant management judgement

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

#### *Recognition of service and construction contract revenue*

Determining when to recognise revenues from after-sales maintenance agreements and construction contracts services is recognised over time, the amounts of revenue recognised in the reporting period depends on the extent to which the performance obligations has been satisfied. For after-sales maintenance agreements this requires an understanding of the customer's use of the related products, historical experience and knowledge of the market. Recognising construction contract revenue also requires significant judgement in determining milestones, actual work performed and the estimated costs to complete the work (see Note 4.7).

#### *Capitalisation of internally developed software*

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Note 4.12).

#### *Recognition of deferred tax assets*

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

#### *Control assessment*

See Note 33.1.



## Estimation uncertainty

### Guidance Note:

AASB 101 explains the overall requirements for disclosure about estimates. The focus is on assumptions the entity makes about the future, and the major sources of estimation uncertainty at the end of the reporting period when there is a significant risk of material adjustment within the next financial year.

AASB requires disclosure about the assumptions made and the nature and carrying amounts of the assets and liabilities affected. It does not prescribe the exact information an entity should disclose about these assumptions but gives examples including:

- the nature of the assumptions
- sensitivity of carrying amounts
- expected resolution/range of reasonably possible outcomes changes made to possible outcomes
- changes made to past assumptions.

Some Standards also include disclosure requirements about particular estimates. For example:

- AASB 136 *Impairment of Assets* specifies disclosures about impairment testing
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* requires disclosures about uncertainties and major assumptions affecting provisions
- AASB 13 *Fair Value Measurement* requires information about how fair values have been estimated.

AASB 101.125

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

### *Impairment*

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. In 2018, the Group recognised an impairment loss on goodwill and internally generated software.

### *Useful lives of depreciable assets*

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

### *Inventories*

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



#### *Business combinations*

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

#### *Construction contract revenue*

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

#### *Defined benefit liability (DBO)*

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

#### *Fair value of financial instruments*

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

## 5 Revenue

AASB 156.116

For 2018, revenue includes \$2,718,000 (2017: \$2,534,000) included in the contract liability balance at the beginning of the period, and \$134,000 (2017: \$125,000) from performance obligations satisfied (or partially satisfied) in previous periods due to changes in transaction price.

#### **Guidance Note:**

As the Group does not enter into contracts with its customer where, once performance has occurred, the Group's right to consideration is dependent on anything other than the passage of time, the Group does not presently have any contract assets.

For the purpose of these CLEARR financial statements, it is assumed that changes to the Group's contract liability (i.e. deferred revenue) are attributed solely to the satisfaction of performance obligations. For other entities, where contract liability balances are affected by other significant factors, AASB 15.118 requires these changes to be explained. For example, changes due to business combinations or a change in the period required for a performance obligation to be satisfied.

AASB 15.114

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

	Consulting	Service	Retail	Other	Total
	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Australia (Domicile)	88,648	14,512	57,678	2,943	163,781
United Kingdom	11,081	1,814	7,210	368	20,473
USA	9,973	1,633	6,489	331	18,426
Other countries	1,108	181	721	37	2,047
<b>Total revenue from contracts with customers</b>	<b>110,810</b>	<b>18,140</b>	<b>72,098</b>	<b>3,679</b>	<b>204,727</b>
Rental income from investment property	-	-	-	-	1,066
<b>Total</b>	<b>110,810</b>	<b>18,140</b>	<b>72,098</b>	<b>3,679</b>	<b>205,793</b>

	Consulting	Service	Retail	Other	Total
	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Australia (Domicile)	87,442	14,266	46,143	3,004	150,855
United Kingdom	10,930	1,783	5,768	376	18,857
USA	9,837	1,605	5,191	338	16,971
Other countries	1,093	178	2,208	38	3,517
<b>Total revenue from contracts with customers</b>	<b>109,302</b>	<b>17,832</b>	<b>59,310</b>	<b>3,756</b>	<b>190,200</b>
Rental income from investment property	-	-	-	-	1,028
<b>Total</b>	<b>109,302</b>	<b>17,832</b>	<b>59,310</b>	<b>3,756</b>	<b>191,228</b>

AASB 15.B87-B89

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

	Consulting	Service	Retail	Other	Total
	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Goods transferred at a point in time	24,378	3,991	15,862	809	45,040
Services transferred over time	86,432	14,149	56,236	2,870	159,687
<b>Total</b>	<b>110,810</b>	<b>18,140</b>	<b>72,098</b>	<b>3,679</b>	<b>204,727</b>

	Consulting	Service	Retail	Other	Total
	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Goods transferred at a point in time	24,047	3,923	13,048	826	41,844
Services transferred over time	85,255	13,909	46,262	2,930	148,356
<b>Total</b>	<b>109,302</b>	<b>17,832</b>	<b>59,310</b>	<b>3,756</b>	<b>190,200</b>

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 31 December 2018:

	2019	2020	Total
Revenue expected to be recognised	1,575	788	2,363

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

AASB 8.23(a)

	2018	2017
	\$'000	\$'000
<b>Current</b>		
Contract assets - Deferred customer set-up costs	109	-
Prepayments	297	-
<b>Other current assets</b>	<b>406</b>	<b>-</b>
<b>Non-current assets</b>		
Contract assets - Deferred customer set-up costs	185	-
<b>Total</b>	<b>591</b>	<b>-</b>

## 6 Segment Reporting

### Guidance Note:

As per AASB 8 *Operating segments*, entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environment in which it operates. It also requires the amount of each operating segment item to be disclosed using the measures reporting to the chief operating decision maker (i.e. based on internal management information). The disclosures in the Example Financial Statements are therefore based on substantial assumptions (e.g. there is no measure of segment liabilities regularly reported to the chief operating decision maker), and so cannot be viewed as the only acceptable way of providing segment disclosures. It is therefore important to emphasise that segment reporting should be tailored based on the entity's internal management reporting.

AASB 15 *Revenue from contracts with Customer* also provide further information on the categories to use to disaggregate revenue, an entity shall consider how information about the entity's revenue has been presented for other purposes, including all of the following:

- disclosures presented outside the financial statements (for example, in earning releases, annual reports or investor presentation)
- information regularly reviewed by the Chief operating decision maker for evaluating the financial performance of operating segments; and
- other information that is similar to the types of information identified above and that is used by the entity or users of the entity's financial statements to evaluate the entity's financial performance or make resource allocation decisions

AASB 8.22(a)

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

AASB 8.16

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

Segment information for the reporting period is as follows:

	Consulting	Service	Retail	Other	Total
	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>					
From external customers	110,810	18,140	72,098	3,679	204,727
Discontinued operations	-	-	9,803	-	9,803
From other segments	231	-	-	-	231
<b>Segment revenues</b>	<b>111,041</b>	<b>18,140</b>	<b>81,901</b>	<b>3,679</b>	<b>214,761</b>
Changes in inventories	(4,794)	-	(3,129)	-	(7,923)
Costs of material	(17,368)	(5,442)	(22,040)	(1,398)	(46,347)

		Consulting	Service	Retail	Other	Total
		2018	2018	2018	2018	2018
		\$'000	\$'000	\$'000	\$'000	\$'000
AASB 8.23(f)	Employee benefits expense	(58,164)	(9,694)	(43,799)	(2,154)	(113,811)
AASB 8.23(e)	Depreciation and amortisation of non-financial assets	(3,382)	(564)	(2,192)	(125)	(6,263)
AASB 136.129(a)	Impairment of non-financial assets	(1,669)	-	-	-	(1,669)
	Other expenses	(9,456)	(30)	(1,333)	(10)	(10,829)
AASB 8.23	<b>Segment operating profit</b>	<b>16,208</b>	<b>2,410</b>	<b>9,408</b>	<b>(8)</b>	<b>28,018</b>
AASB 8.23	<b>Segment assets 2018</b>	<b>68,078</b>	<b>11,346</b>	<b>44,125</b>	<b>2,521</b>	<b>126,070</b>
		Consulting	Service	Retail	Other	Total
		2017	2017	2017	2017	2017
		\$'000	\$'000	\$'000	\$'000	\$'000
	<b>Revenue</b>					
AASB 8.23(a)	From external customers	109,302	17,832	59,310	3,756	190,565
	Discontinued operations	-	-	11,01	-	11,015
AASB 8.23(b)	From other segments	110	-	-	-	110
	<b>Segment revenues</b>	<b>109,412</b>	<b>17,832</b>	<b>70,325</b>	<b>3,756</b>	<b>201,325</b>
	Changes in inventories	(4,123)	-	(2,692)	-	(6,815)
AASB 8.23(f)	Costs of material	(17,737)	(5,350)	(18,734)	(1,315)	(43,136)
AASB 8.23(f)	Employee benefits expense	(58,487)	(9,542)	(38,148)	(2,010)	(108,187)
AASB 8.23(e)	Depreciation and amortisation of non-financial assets	(3,578)	(596)	(3,084)	(133)	(7,391)
AASB 136.129(a)	Impairment of non-financial assets	(190)	-	-	-	(190)
	Other expenses	(9,213)	(100)	(1,761)	(20)	(11,094)
AASB 8.23	<b>Segment operating profit</b>	<b>16,084</b>	<b>2,244</b>	<b>5,906</b>	<b>278</b>	<b>24,512</b>
AASB 8.23	<b>Segment assets 2018</b>	<b>51,596</b>	<b>8,599</b>	<b>33,442</b>	<b>1,911</b>	<b>95,458</b>

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

The Group's non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets on post-employment benefits assets) are located into the following geographic regions:

AASB 8.33(a)

AASB 8.33(b)

	2018	2017
	\$'000	\$'000
Australia (Domicile)	45,991	40,170
United Kingdom	5,749	5,021
USA	5,174	4,519
Other countries	575	502
<b>Total</b>	<b>57,489</b>	<b>50,212</b>

AASB 8.33 (a)

Non-current assets are allocated based on their physical location. The above table does not include discontinued operations (disposal groups), for which revenue and assets can be attributed to Australia.

Revenues from external customers in the Group's domicile, Australia, as well as its major markets, the United Kingdom and the USA, have been identified on the basis of the customer's geographical location and are disclosed in Note 5.

AASB 8.34

During 2018, \$24,744,000 or 12% (2017: \$21,076,000 or 11%) of the Group's revenues depended on a single customer in the consulting segment.

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

	2018	2017
	\$'000	\$'000
<b>Revenues</b>		
Total reportable segment revenues	211,082	197,569
Other segment revenues	3,679	3,756
Rental income from investment property	1,066	1,028
Discontinued operations	(9,803)	(11,015)
Elimination of intersegment revenues	(231)	(110)
<b>Group revenues</b>	<b>205,793</b>	<b>191,228</b>
<b>Profit or loss</b>		
Total reportable segment operating profit	28,025	24,234
Other segment profit	(8)	278
Rental income from investment property	1,066	1,028
Change in fair value of investment property	310	175
Share-based payment expenses	(298)	(466)
Post-employment benefit expenses	(5,799)	(7,273)
Research and development costs	(1,690)	(1,015)

AASB 8.33(b)

	2018	2017
	\$'000	\$'000
Other income not allocated	676	625
Other expenses not allocated	(303)	(286)
Operating profit of discontinued operations	(73)	(106)
Elimination of intersegment profits	(58)	(27)
<b>Group operating profit</b>	<b>21,848</b>	<b>16,883</b>
Share of profits from equity accounted investments	391	141
Finance costs	(1,701)	(1,908)
Finance income	1,224	885
Other financial items	943	1,182
<b>Group profit before tax</b>	<b>22,705</b>	<b>17,183</b>
<b>Assets</b>		
Total reportable segment assets	123,549	93,637
Other segment assets	2,521	1,911
Group headquarters	3,925	2,127
Investment property	12,662	12,277
Illustrative Research Lab	5,046	2,735
Other assets	3,364	1,823
Consolidation	(1,018)	(378)
<b>Group assets</b>	<b>150,049</b>	<b>114,132</b>

AASB 8.28(c)

AASB 8.28  
AASB 8.28

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

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

		Revenue	Non-current assets	Revenue	Non-current assets
		2018	2018	2017	2017
		\$'000	\$'000	\$'000	\$'000
AASB 8.33(a)					
AASB 8.33(b)	Australia (Domicile)	163,781	45,991	150,854	40,170
	United Kingdom	20,473	5,749	18,857	5,021
	USA	18,426	5,174	16,971	4,519
	Other countries	2,047	575	3,518	502
	<b>Total</b>	<b>204,727</b>	<b>57,489</b>	<b>190,200</b>	<b>50,212</b>
AASB 8.32 AASB 118.35(b)	An analysis of the Group's revenue for each major product and service category (excluding revenue from discontinued operations) is as follows:				
			2018	2017	
			\$'000	\$'000	
AASB 8.32	Sale of hardware		47,585	39,145	
	Sale of software		24,513	20,165	
	Other		3,679	3,756	
AASB 118.35(b)(i)	<b>Sale of goods</b>		<b>75,777</b>	<b>63,066</b>	
	After-sales service and maintenance		18,140	17,832	
	Consulting		59,837	60,116	
AASB 111.39(a)	Construction contracts for telecommunications solutions		50,973	49,186	
AASB 140.75(f)	Rental income		1,066	1,028	
AASB 118.35(b)(ii)	<b>Rendering of services</b>		<b>130,016</b>	<b>128,162</b>	
	<b>Group revenue</b>		<b>205,793</b>	<b>191,228</b>	



## 7 Finance costs and finance income

Finance costs for the reporting periods consist of the following:

	2018	2017
	\$'000	\$'000
AASB 720(b)		
Interest expenses for borrowings at amortised cost:		
• subordinated shareholder loan	200	200
• other borrowings at amortised cost	806	587
	<b>1,006</b>	<b>787</b>
Interest expenses for finance lease arrangements	220	230
AASB 7.20(b)	<b>Total interest</b>	<b>1,226</b>
AASB 123.26(a)		<b>1,017</b>
Less: interest expenses capitalised into intangible assets	(80)	(78)
	<b>1,146</b>	<b>939</b>
AASB 119.141(b)	Defined benefit obligation interest expenses	505
		549
	Unwinding of discount relating to contingent consideration liability	20
		-
AASB 7.20(a)(i)	Loss on foreign currency financial liabilities	30
		70
	<b>1,701</b>	<b>1,558</b>

AASB 123.26(b) Interest expenses capitalised into intangible assets were capitalised at a rate of 4.4% per annum (2017: 4.5%).

AASB 7.B5(e) The loss on foreign currency financial liabilities designated at FVPL takes account of interest payments on these loans.

AASB 7.20(e) An impairment loss was recognised in 2017 for the investment in XY Ltd, which is carried at cost less impairment charges as its fair value cannot be measured reliably.

Finance income for the reporting periods consists of the following:

	2018	2017
	\$'000	\$'000
Interest income from cash and cash equivalents	484	357
AASB 7.20(b)	Interest income on financial assets carried at amortised cost and AFS financial assets	171
		182
AASB 7.20(b)	<b>Total interest income for financial assets not at FVPL</b>	<b>655</b>
AASB 118.35(b)(v)	Dividend income from XY Ltd	40
		-
	Change in fair value of equity investments	370
		-
AASB 118.35(b)(v)	Dividend income from listed securities	29
		21
AASB 7.20(a)(i)	Fair value gains on forward exchange contracts held for trading	130
		325

	2018	2017
	\$'000	\$'000
	1,224	885

## 8 Other financial items

Other financial items consist of the following:

	2018	2017
	\$'000	\$'000
AASB 7.20(a)(i) AASB 121.52(a)		
Gain / (loss) from financial assets at fair value through profit and loss - classified as held-for-trading	6	18
AASB 7.20(a)(iv)		
Gain / (loss) from exchange differences on loans and receivables	937	1,164
	943	1,182

## 9 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Grant Thornton CLEARR at 30% (2017: 30%) and the reported tax expense in profit or loss are as follows:

	2018	2017
	\$'000	\$'000
Profit before tax	22,705	17,183
AASB 112.85		
Domestic tax rate for Grant Thornton CLEARR Example Ltd	30%	30%
<b>Expected tax expense</b>	<b>6,812</b>	<b>5,155</b>
AASB 112.84		
Adjustment for tax-rate differences in foreign jurisdictions	16	18
AASB 112.84		
Adjustment for tax-exempt income:		
• relating to equity accounted investments	(18)	(4)
• other tax-exempt income	(63)	(305)
AASB 112.84		
Adjustment for non-deductible expenses:		
• relating to goodwill impairment	30	15
• Other non-deductible expenses	17	9
<b>Actual tax expense / (income)</b>	<b>6,794</b>	<b>4,888</b>
AASB 112.79, AASB 112.80		
Tax expense comprises:		
AASB 112.80(a)		
• current tax expense	5,682	4,289
Deferred tax expense / (income):		
AASB 112.80(c)		
• origination and reversal of temporary differences	1,037	374

		2018	2017
		\$'000	\$'000
AASB 112.80	<ul style="list-style-type: none"> <li>utilisation of unused tax losses</li> </ul>	75	225
	<b>Tax expense</b>	<b>6,794</b>	<b>4,888</b>
AASB 112.81(ab)	Deferred tax expense / (income), recognised directly in other comprehensive income	1,064	(1,157)

Note 18 provides information on deferred tax assets and liabilities. Note 24.2 provides information on deferred income tax recognised directly in each component of other comprehensive income.

## 10 Assets and disposal groups classified as held for sale and discontinued operations

AASB 5.41(a)-(d)

In early 2018, management decided to discontinue in-store sale of IT and telecommunications hardware. This decision was taken in line with the Group's strategy to focus on its online retail business. Consequently, assets and liabilities allocable to Highstreet Ltd and subsidiaries (included in the retail segment) were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of profit or loss.

AASB 107.40(a)

On 30 September 2018, Highstreet Ltd and subsidiaries were sold for a total of \$3,117,000 in cash resulting in a loss of \$29,000 before tax primarily due to related selling costs.

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

		2018	2017
		\$'000	\$'000
AASB 5.33(b)(i)	Revenue	9,803	11,015
	Costs of material	(3,540)	(3,633)
	Employee benefits expense	(6,100)	(6,411)
	Depreciation and amortisation	-	(765)
	Other expenses	(90)	(100)
	Operating profit	73	106
	Finance costs	(56)	(60)
AASB 5.33(b)(ii), also	Profit from discontinued operations before tax	17	46
AASB 112.81(h)	Tax expense	(5)	(14)
	<b>Profit for year</b>	<b>12</b>	<b>32</b>
	Gain / (loss) on re-measurement and disposal:		
AASB 5.33(b)(iii)	<ul style="list-style-type: none"> <li>loss before tax on measurement to fair value less cost to sell</li> </ul>	-	(510)

AASB 5.33(b)(iv),  
AASB 112.81(h)

	2018 \$'000	2017 \$'000
• loss before tax on disposal	(29)	-
• tax income / (expense)	8	153
<b>Total gain / (loss)</b>	<b>(21)</b>	<b>(357)</b>
<b>Loss for the year from discontinued operations</b>	<b>(9)</b>	<b>(325)</b>

AASB 5.41(b)-(d)

Most of the assets and all of the liabilities have been disposed of in this transaction however the Group continues to own some former Highstreet storage facilities. Management expects to sell these remaining assets during 2019.

AASB 5.38

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

	2018 \$'000	2017 \$'000
<b>Non-current assets</b>		
• property, plant and equipment	103	2,578
• deferred tax	-	227
<b>Current assets</b>		
• inventories	-	1,081
• cash and cash equivalents	-	22
<b>Assets classified as held for sale</b>	<b>103</b>	<b>3,908</b>
<b>Current liabilities</b>		
• provisions	-	(245)
• trade and other payables	-	(190)
• current tax liabilities	-	(14)
<b>Liabilities classified as held for sale</b>	<b>-</b>	<b>(449)</b>

AASB 5.33(c)

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

	2018 \$'000	2017 \$'000
Operating activities	(22)	(811)
Investing activities	3,117	-
<b>Cash flows from discontinued operations</b>	<b>3,095</b>	<b>811</b>

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

## 11 Cash and cash equivalents

AASB 107.45

Cash and cash equivalents consist of the following:

	2018	2017
	\$'000	\$'000
Cash at bank and in hand:		
Australian Dollar (\$AUD)	24,292	7,827
British Pound (£GBP)	2,087	674
American Dollar (\$USD)	1,392	449
Short term deposits (\$AUD)	6,958	2,247
<b>Cash and cash equivalents</b>	<b>34,729</b>	<b>11,197</b>

AASB 107.48  
AASB 110.19

Following the acquisition of Goodtech some bank deposits of the acquiree were temporarily unavailable for general use by the Group due to legal restrictions. The amount of cash and cash equivalents inaccessible to the Group as at 31 December 2018 amounts to \$500,000 (2017: \$Nil). All restrictions on bank deposits were removed prior to approval of these consolidated financial statements on 28 February 2019.

## 12 Trade and other receivables

Trade and other receivables consist of the following:

AASB 101.77

AASB 101.78(b)

	2018	2017
	\$'000	\$'000
Trade receivables, gross	31,265	23,889
Allowance for credit losses	(767)	(560)
<b>Trade receivables</b>	<b>30,498</b>	<b>23,329</b>
Receivables due from ABC Ltd	112	112
Allowance for expected credit losses	(4)	-
<b>Financial assets</b>	<b>30,606</b>	<b>23,441</b>
Social security and other taxes	740	991
Construction contracts for telecommunication solutions	1,374	974
<b>Non-financial assets</b>	<b>2,114</b>	<b>1,965</b>
	<b>32,720</b>	<b>25,406</b>

AASB 7.25  
AASB 7.29

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

AASB 101.60

The receivable due from ABC Associates relates to the remaining consideration due on the sale of a former subsidiary in 2017. The carrying amount of the receivable is considered a reasonable approximation of fair value as this financial asset (which is measured at amortised cost) is expected to be paid within six months, such that the time value of money is not significant.

AASB 7.37(b)

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of \$72,000 (2017: \$514,000) has been recorded accordingly within other expenses. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

An analysis of unimpaired trade receivables that are past due is given in Note 35.2.

## 13 Financial assets and liabilities

### 13.1 Categories of financial assets and liabilities

AASB 7.25

Note 4.17 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Notes	Amortised cost 2018 \$'000	Assets at fair value through profit and loss (FVPL) 2018 \$'000	Debt Fair value through other comprehensive income (FVOCI) 2018 \$'000	Equity Fair value through other comprehensive income (FVOCI) 2018 \$'000	Derivatives used for hedging (FV) 2018 \$'000	Total 2018 \$'000
<b>Financial assets</b>							
AASB 7.8(c)	Cash and cash equivalents	11	34,729	-	-	-	34,729
AASB 7.8(c)	Trade and other receivables (a)		30,606	-	-	-	30,606
AASB 7.8(a)(ii)	Derivative financial instruments	13.7	-	115	-	601	716
AASB 7.8(a)(ii)	Other short-term financial assets	13.4	-	655	-	-	655
AASB 7.8(b)	Government bonds	13.2	2,700	-	-	-	2,700
	Corporate bonds	13.5	-	-	178	-	178
	Listed equity securities - other	13.4	-	975	-	-	975
AASB 7.8(d)	Listed equity securities – XY Ltd	13.5	-	-	-	198	198
			<b>68,035</b>	<b>1,745</b>	<b>178</b>	<b>198</b>	<b>70,757</b>

a These amounts only represent trade receivables that are financial assets. See Note 12

	Notes	Derivatives used for hedging (FV)	Other liabilities (amortised cost)	Total
		2018	2018	2018
		\$'000	\$'000	\$'000
	Financial liabilities			
AASB 7.8(e)(i), AASB 7.8(f)	Current borrowings	-	4,815	4,815
AASB 7.8(f)	Trade and other payables	-	13,069	13,069
AASB 7.(e)(i)	Non-current borrowings	-	21,070	21,070
		-	38,954	38,954

The financial instrument classifications in the prior period are in accordance with AASB 139 as follows:

	Notes	Available for sale (FV) 2017 \$'000	Held for trading (FVPL) 2017 \$'000	Derivatives (FV) used for hedging 2017 \$'000	Held to Maturity (amortised cost) 2017 \$'000	Loans and receivables (amortised cost) 2017 \$'000	Total 2017 \$'000
<b>Financial assets</b>							
AASB 7.8(c)	Cash and cash equivalents	11	-	-	-	11,197	11,197
AASB 7.8(c)	Trade and other receivables (a)	12	-	-	-	23,441	23,441
AASB 7.8(a)(ii)	Derivative financial instruments	13.7	-	212	230	-	442
AASB 7.8(a)(ii)	Other short-term financial assets	13.4	-	649	-	-	649
AASB 7.8(b)	Government bonds	13.3	-	-	1,189	-	1,189
	Corporate bonds	13.6	1,915	-	-	-	1,195
	Listed equity securities	13.6	343	-	-	-	343



AASB 7.8(d)

	Notes	Available for sale (FV) 2017 \$'000	Held for trading (FVPL) 2017 \$'000	Derivatives (FV) used for hedging 2017 \$'000	Held to Maturity (amortised cost) 2017 \$'000	Loans and receivables (amortised cost) 2017 \$'000	Total 2017 \$'000
Unlisted equity securities - XY Ltd	13.6	433	-	-	-	-	433
		<b>2,691</b>	<b>861</b>	<b>230</b>	<b>1,189</b>	<b>34,638</b>	<b>39,609</b>

a These amounts only represent trade receivables that are financial assets. See Note 12

AASB 7.8(d)

AASB 7.8(b)

	Notes	Derivatives used for hedging (FV) 2017 \$'000	Other liabilities (amortised cost) 2017 \$'000	Total 2017 \$'000
Financial liabilities				
Trade and other payables	21	-	11,515	11,515
Derivative financial instruments	13.7	160	-	160
Current borrowings	13.8	-	3,379	3,379
Non-current borrowings	13.8	-	21,265	21,265
		<b>160</b>	<b>36,159</b>	<b>36,319</b>

AASB 7.33

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 35.

AASB 13.91(a)

The methods used to measure financial assets and liabilities reported at fair value are described in Note 36.1.

## 13.2 Other financial assets at amortised cost

AASB 7.7  
AASB 7.25

Financial assets at amortised cost include publically traded Government bonds with fixed interest rates between 5.5% and 6.2%. They mature 2020 and 2021. The carrying amounts (measured at amortised cost) and fair values of these bonds are as follows:

	2018 \$'000	2017 \$'000
AASB 7.8(f) Carrying amount at amortised cost		
• Government bonds - Australia	2,700	-
• Government bonds - Other countries	-	-
AASB 7.8(a)	<b>2,700</b>	<b>-</b>
Fair value		
• Government bonds - Australia	2,701	-
• Government bonds - Other countries	-	-
	<b>2,701</b>	<b>-</b>

AASB 13.97

Fair values of these bonds have been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy.

## 13.3 Financial assets held to maturity (HTM)

Financial assets at held to maturity include publically traded Government bonds with fixed interest rates between 5.5% and 6.2%. They mature 2020 and 2021. The carrying amounts (measured at amortised cost) and fair values of these bonds are as follows:

	2018 \$'000	2017 \$'000
Carrying amount at amortised cost		
• Government bonds – Australia	-	989
• Government bonds - Other countries	-	200
	<b>-</b>	<b>1,189</b>
Fair value		
• Government bonds - Australia	-	989
• Government bonds - Other countries	-	170
	<b>-</b>	<b>1,159</b>

Fair values of these bonds have been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy

## 13.4 Financial assets at fair value through profit or loss (FVPL)

Financial assets at FVPL include listed equity securities. The Group investments at FVPL as follows:

	2018 \$'000	2017 \$'000
Listed equity securities	975	-
Other short-term financial assets	655	649
	<b>1,630</b>	<b>649</b>

## 13.5 Financial assets classified as fair value through other comprehensive income (FVOCI)

Financial assets at FVOCI includes equity and debt investments.

The Group chose to make the irrevocable election on transition to classify unlisted equity securities - XY Ltd as Equity FVOCI.

The Group's corporate bonds fall under the Debt FVOCI 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.

	2018 \$'000	2017 \$'000
<b>Equity</b>		
Investment in XY Ltd	198	-
<b>Debt</b>		
Corporate bonds	178	-
	<b>376</b>	<b>-</b>

AASB 7.25

## 13.6 Financial assets classified as available for sale financial assets

The details and carrying amounts of financial assets at available for sale financial assets in 2017 are as follows:

	2018 \$'000	2017 \$'000
Listed equity securities	-	343
Corporate bonds	-	1,915
<b>Total AFS financial assets at fair value</b>	<b>-</b>	<b>2,258</b>
Unlisted equity securities - investment in XY Ltd (held at cost less impairment)	-	433
<b>Total carrying amount of AFS assets</b>	<b>-</b>	<b>2,691</b>

AASB 7.8(h)  
AASB 7.29(a)

AASB 7.25

## 13.7 Derivative financial assets

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

		2018	2017
		\$'000	\$'000
AASB 1.77 AASB 7.24A(a)	US-Dollar forward contracts - cash flow hedge	467	-
AASB 1.77 AASB 7.24A(a)	GBP forward contracts - cash flow hedge	134	230
AASB 1.77	Other forward exchange contracts - held-for-trading	115	212
	<b>Derivative financial assets</b>	<b>716</b>	<b>442</b>
AASB 1.77 AASB 7.24A(a)	US-Dollar forward contracts - cash flow hedge	-	(160)
	<b>Derivative financial liabilities</b>	<b>-</b>	<b>(160)</b>

AASB 7.22(a)  
AASB 7.22(b)  
AASB 7.55(c)

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast sales in US-Dollars and British pounds (GBP). The Group's policy is to hedge up to 75% of all highly probable forecast non-AUD sales in the United States and Great Britain a quarter in advance of the forecast sales transaction. During the year ended 31 December 2018, 75% of the non-AUD denominated sales were hedged in respect of foreign currency risk using foreign currency forwards.

AASB 7.22B

Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instruments to determine whether there is still an economic relationship between two.

The critical terms of the foreign currency forwards entered into exactly match the terms of the terms of the hedged item. As such the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative where appropriate.

Hedge ineffectiveness may arise where the critical terms of the forecast transaction no longer meet those of the hedging instrument, for example if there was a change in the timing of the forecast sales transactions from what was initially estimated or if the volume of currency in the hedged item was below expectations leading to over-hedging.

The hedged items and the hedging instrument are denominated in the same currency and as a result the hedging ratio is always one to one.

All US-dollar and GBP forward exchange contracts had been designated as hedging instruments in cash flow hedges under AASB 139. All hedging relationships that were hedging relationships under AASB 139 at the 31 December 2017 reporting date meet the AASB 9's criteria for hedge accounting at 1 January 2018 and are therefore regarded as continuing hedging relationships.

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.

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.

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

During 2018 a gain of \$890 (2017: \$540) was recognised in other comprehensive income.

During 2018 a gain of \$640 (2017: \$712) was reclassified from equity into profit or loss.

The cumulative gain recorded in equity is \$390 (2017: \$140).

#### Guidance Note:

The requirement in AASB 7 are to provide the hedge accounting disclosure by risk category, we have provided the disclosure below showing the difference the USD and GBP forwards. This is because some required disclosures would not be appropriately disclosed without separating the two forwards. AASB does not prescribe risk categories. AASB 7.BC350 says an entity should apply judgement and categories of risk on the basis of how it manages its risk through hedging.

		Cash flow hedge reserve USD hedges	Cash flow hedge reserve GBP hedges	Total
		\$'000	\$'000	\$'000
AASB 7.24B(b)(ii)	Opening balance 1 January 2017	196	116	312
AASB 7.24E(b),(C)	Change in fair value of hedging instrument recognised in other comprehensive income (OCI)	199	341	540
	Reclassified from OCI to profit and loss	(435)	(277)	(712)
AASB 7.24C(b)(iv)	Deferred tax asset	-	-	-
	<b>Closing balance 31 December 2017</b>	<b>(40)</b>	<b>180</b>	<b>140</b>
AASB 7.24B(b)(ii)	Changes in fair value of hedging instrument recognised in OCI	385	505	890
AASB 7.24B(b)(iv)	Reclassified from OCI to profit and loss	(81)	(559)	(640)
	Deferred tax	-	-	-
	<b>Closing balance 31 December 2018</b>	<b>264</b>	<b>126</b>	<b>390</b>

AASB 7.24C(b)(V)  
AASB 7.24C (b)(iv)(iii)  
AASB 7.24E

The amounts reclassified to profit and loss have been included in revenue.

No ineffectiveness arose during the period (2017 – nil).

The hedging instrument relates to the forward contracts in their entirety, with hedging on a forward to forward basis.

The effect of hedge accounting on the Group's financial position and performance is as follows, including the outline timing and profile of the hedging instruments:

		2018	2017
		\$'000	\$'000
AASB 7.24A(a)	Carrying amount		
	• USD forward contracts	467	(160)
	• GBP forward contracts	134	230
AASB 7.24A(d)	Notional amount		
	• USD forward contracts (in USD)	2,880	2,546
	• GBP forward contracts (in GBP)	2,952	2,526
AASB 7.22B©	Hedge ratio	1:1	1:1
AASB 7.23B(a)	Maturity date	January to March 2019	January to March 2019
AASB 7.23B(b)	Average forward rate		
	• USD forward contracts	1,196	1,247
	• GBP forward contracts	1,205	1,382
AASB 7.24A(c)	Change in the fair value of the currency forward (excluding amounts reclassified)		
	• USD forward contracts	275	(40)
	• GBP forward contracts	115	180
AASB 7.24B(b)(i)	Change in the fair value of the hedged item used to determine hedge effectiveness		
	• USD forward contracts	275	(40)
	• GBP forward contracts	115	180
AASB 7.24B(b)(ii)	Amounts in the cash flow hedge reserve:		
	• USD forward contracts	264	(40)
	• GBP forward contracts	126	180
		<b>390</b>	<b>140</b>

AASB 7.23D

The hedge relationship relate to the foreign exchange risk arising from the highly probable sales and the resulting receivables. Reclassification to profit and loss occurs at the time of the associated sale being recognised and then further movements to profit and loss to match the retranslation of the associated receivable. The above movements relating to the hedging instrument and hedged item exclude those elements reclassified by the reporting date

The potential sources of ineffectiveness include:

- differences between the timing of the cash flows of the hedged item and hedging instrument
- changes in credit risk of the hedging instrument

- potential over-hedging should volumes of highly probable sales fall below hedged amounts.

Due to the low interest rate environments, the small differences in timing are not considered to give rise to any significant ineffectiveness. At the current time, no significant ineffectiveness has arisen from credit risk or from over-hedging although this is monitored on an ongoing basis.

## 13.8 Borrowings

Borrowings include the following financial liabilities:

	Current		Non-current	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
AASB 7.8(g) At amortised cost:				
US-Dollar loans	250	255	7,700	7,965
Other bank borrowings	4,565	3,124	-	-
Non-convertible bond	-	-	8,370	8,300
Subordinated shareholder loan	-	-	5,000	5,000
	<b>4,815</b>	<b>3,379</b>	<b>21,070</b>	<b>21,265</b>
AASB 7.8(e) Fair value:				
US-Dollar loans	251	256	7,801	7,997
Other bank borrowings	4,565	3,124	-	-
Non-convertible bond	-	-	8,259	8,383
Subordinated shareholder loan	-	-	4,975	5,050
	<b>4,816</b>	<b>3,380</b>	<b>21,035</b>	<b>21,430</b>

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

### Borrowings at amortised cost

AASB 7.31

US-dollar loans are secured over investment properties owned by the Group. The interest rate on the loan is fixed at 3%

AASB 116.74(a)  
AASB 7.29  
AASB 7.31

Other bank borrowings are secured by land and buildings owned by the Group. Current interest rates are variable and average 4.0 % (2017: 4.1%). The carrying amount of the other bank borrowings is considered to be a reasonable approximation of the fair value.

AASB 13.93(d)  
AASB 13.97

The Group's non-convertible bond with a fixed interest rate of 5.0% matures on 14 May 2021 and is therefore classified as non-current. The estimated fair value of the non-convertible bond is categorised within Level 2 of the fair value hierarchy. The fair value estimate has been determined from the perspective of a market participant that holds these non-convertible bonds as assets at 31 December 2018. The fair value \$8,259 is estimated using a present value technique, by discounting the contractual cash flows using implied yields of non-convertible bonds of an entity with a similar standing and marketability.

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

AASB 124.18  
AASB 13.93(d)  
AASB 13.97

The subordinated shareholder loan was provided by Grant Thornton CLEARR's main shareholder, LOM Investment Trust, in 2016. It is perpetual and carries a fixed coupon of 4.0%. It is repayable only upon liquidation of Grant Thornton CLEARR. The estimated fair value of the subordinated shareholder loan is categorised within Level 3 of the fair value hierarchy. The fair value estimate has been determined using a present value technique. The \$4,975 is estimated by discounting the contractual cash flows at 4.1%. The discount rate has been determined using the interest rate that the entity would pay to unrelated party, at the reporting date, adjusted to reflect the subordination feature.

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

### 13.9 Other financial instruments

AASB 7.29

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

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

## 14 Inventories

Inventories consist of the following:

AASB 101.77

AASB 101.78(c)

AASB102.36(b)

	2018	2017
	\$'000	\$'000
Raw materials and consumables	7,737	7,907
Merchandise	10,651	9,319
	<b>18,298</b>	<b>17,226</b>

AASB 102.36(d)  
AASB 102.36(e)

In 2018, a total of \$35,265,000 of inventories was included in profit and loss as an expense (2017: \$32,907,000). This includes an amount of \$361,000 resulting from write down of inventories (2017: \$389,000).

## 15 Investments accounted for using the equity method

	2018	2017
	\$'000	\$'000
Investment in joint venture	483	222
Investment in associate	377	245
	<b>860</b>	<b>467</b>



## 15.1 Investment in joint venture

AASB 12.21(a)

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

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			31 December 2018	31 December 2017
Halftime Ltd	United Kingdom	Online sales of hardware and software products	50%	50%

AASB 12.21(b)(i)

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

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

Summarised financial information for Halftime is set out below:

		2018	2017
		\$'000	\$'000
AASB 12.B12(b)(i)	Current assets (a)	528	380
AASB 12.B12(b)(i)	Non-current assets	838	500
	<b>Total assets</b>	<b>1,366</b>	<b>880</b>
AASB 12.B12(b)(iv)	Current liabilities (b)	(160)	(138)
AASB 12.B12(b)(iii)	Non-current liabilities (c)	(240)	(298)
	<b>Total liabilities</b>	<b>(400)</b>	<b>(436)</b>
	<b>Net assets</b>	<b>966</b>	<b>444</b>
AASB 12.B14			
AASB 12.B13(a)	a Includes cash and cash equivalents	60	80
AASB 12.B13(c)	b Includes financial liabilities (excluding trade and other payables and provisions)	(80)	-
AASB 12.B13(b)	c Includes financial liabilities (excluding trade and other payables and provisions)	(100)	-
	<b>Revenue</b>	<b>1,200</b>	<b>730</b>
AASB 12.B12(b)(v)	Profit for the year	522	258
	Other comprehensive income for the year	-	-
AASB 12.B12(b)(vi)			
AASB 12.B12(b)(vx)	<b>Total comprehensive income for the year</b>	<b>522</b>	<b>258</b>
AASB 12.B13(d)	<b>Depreciation and amortisation</b>	<b>30</b>	<b>20</b>
AASB 12.B13(g)	<b>Tax expense</b>	<b>68</b>	<b>58</b>

AASB 12.B14

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

	2018 \$'000	2017 \$'000
Total net assets of Halftime	966	444
Proportion of ownership interests held by the Group	50%	50%
<b>Carrying amount of the investment in Halftime</b>	<b>483</b>	<b>222</b>

AASB 12.B12(a)

No dividends were received from Halftime during the years 2018 and 2017.

AASB 12.21(b)(iii)

Halftime is a Private Company; therefore no quoted market prices are available for its shares.

## 15.2 Investment in associates

AASB 12.21(c)  
AASB 12.B16

The Group has a 45% equity interest in Equipe and a 30% equity interest in Shopmore Ltd. Neither associate is individually material to the Group.

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

	2018 \$'000	2017 \$'000
AASB 12.B16(a) Profit from continuing operations	130	12
AASB 12.B16(b) Other comprehensive income	2	-
Total comprehensive income	132	12
<b>AASB 12.B16 Aggregate carrying amount of the Group's interests in associates</b>	<b>377</b>	<b>245</b>

## 16 Property, plant and equipment

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

	Land \$'000	Buildings \$'000	Other equipment \$'000	Other equipment \$'000	Total \$'000
<b>Gross carrying amount</b>					
AASB 116.73(d) <b>Balance 1 January 2018</b>	<b>7,697</b>	<b>19,362</b>	<b>5,579</b>	<b>2,319</b>	<b>34,957</b>
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) <b>Balance 31 December 2018</b>	<b>8,709</b>	<b>20,177</b>	<b>7,806</b>	<b>2,630</b>	<b>39,322</b>

	Land	Buildings	Other equipment	Other equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Depreciation and impairment</b>					
AASB 116.73(d) Balance 1 January 2018	-	(12,159)	(1,503)	(898)	(14,560)
AASB 116.73(e)(ii) Disposals	-	315	-	-	315
AASB 116.73(e)(viii) Net exchange differences	-	(54)	(53)	(36)	(143)
AASB 116.73(e)(vii) Depreciation	-	(1,315)	(890)	(530)	(2,735)
AASB 116.73(d) <b>Balance 31 December 2018</b>	<b>-</b>	<b>(13,213)</b>	<b>(2,446)</b>	<b>(1,464)</b>	<b>(17,123)</b>
<b>Carrying amount 31 December 2018</b>	<b>8,709</b>	<b>6,964</b>	<b>5,360</b>	<b>1,166</b>	<b>22,199</b>

	Land	Buildings	Other equipment	Other equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>					
AASB 116.73(d) <b>Balance 1 January 2017</b>	<b>7,697</b>	<b>23,067</b>	<b>4,316</b>	<b>966</b>	<b>36,046</b>
AASB 116.73(e)(i) Additions	-	1,001	1,390	890	3,281
AASB 116.73(e)(iii) Acquisition through business combination	-	-	2,310	838	3,148
AASB 116.73(e)(ii) Held for sale or included in disposal group	-	(4,598)	(2,422)	(348)	(7,368)
AASB 116.73(e)(viii) Net exchange differences	-	(108)	(15)	(12)	(135)
AASB 116.73(d) <b>Balance 31 December 2017</b>	<b>7,697</b>	<b>19,362</b>	<b>5,579</b>	<b>2,334</b>	<b>34,972</b>
<b>Depreciation and impairment</b>					
AASB 116.73(d) <b>Balance 1 January 2017</b>	<b>-</b>	<b>(12,944)</b>	<b>(1,805)</b>	<b>(551)</b>	<b>(15,300)</b>
AASB 116.73(e)(viii) Net exchange differences	-	(72)	(10)	(8)	(90)
AASB 116.73(e)(ii) Held for sale or included in disposal group	-	3,200	990	200	4,390
AASB 116.73(e)(vii) Depreciation	-	(2,343)	(678)	(554)	(3,575)
AASB 116.73(d) <b>Balance 31 December 2017</b>	<b>-</b>	<b>(12,159)</b>	<b>(1,503)</b>	<b>(913)</b>	<b>(14,575)</b>
AASB 116.73(d) <b>Carrying amount 31 December 2017</b>	<b>7,697</b>	<b>7,203</b>	<b>4,076</b>	<b>1,421</b>	<b>20,397</b>

AASB 136.126(a)  
AASB 136.126(b)

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

AASB 116.74(a)

Land and buildings have been pledged as security for the Group's other bank borrowings (see Note 13.8).

AASB 116.74(c)

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

AASB 116.77(e)

AASB 116.77(f)

If the cost model had been used, the carrying amounts of the revalued land, including the fair value adjustment upon acquisition of Goodtech, would be \$7,421,000 (2017: \$6,712,000). The revalued amounts include a revaluation surplus of \$1,288,000 before tax (2017: \$985,000).

## 17 Investment property

AASB 140.5

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

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

		\$'000
AASB 140.76	<b>Carrying amount 1 January 2017</b>	<b>12,102</b>
AASB 140.76(e)	Net exchange differences	25
AASB 140.76(d)	Net gain / (loss) from fair value adjustments	150
AASB 140.76	<b>Carrying amount 31 December 2017</b>	<b>12,277</b>
	Additions through business combinations	75
	Net exchange differences	22
	Net gain / (loss) from fair value adjustments	288
	<b>Carrying amount 31 December 2018</b>	<b>12,662</b>

AASB 140.75(g)

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

AASB 140.75(f)  
AASB 117.56(b)

Investment properties are leased out on operating leases. Rental income amounts to \$1,066,000 (2017: \$1,028,000) included within revenue. Direct operating expenses of \$213,000 (2017: \$206,000) were reported within other expenses, of which \$18,000 (2017: \$12,000) was incurred on vacant properties that did not generate rental income.

			Minimum lease payments due			
			Within 1 year	1 to 5 years	After 5 years	Total
			\$'000	\$'000	\$'000	\$'000
AASB 117.56(a)	31 December 2018		1,075	5,375	2,090	8,540
	31 December 2017		1,030	5,150	1,978	8,158

## 18 Deferred tax assets and liabilities

AASB 112.81(g)

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

Deferred tax liabilities / (assets)	1 January 2018	Recognised in other comprehensive income	Assets at fair value through profit and loss*	Recognised in profit and loss	31 December 2018
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>					
Other intangible assets	847	(63)	444	30	1,258
Property, plant and equipment	2,130	(22)	188	406	2,702
Other long term financial assets	(95)	-	-	19	(76)
Investment property	1,914	-	-	93	2,007
<b>Current assets</b>					
Trade and other receivables	(168)	-	-	38	(130)
<b>Non-current liabilities</b>					
Pension and other employee obligations	-	-	-	-	-
<b>Current liabilities</b>					
Provisions	(1,007)	-	-	639	(368)
Pension and other employee obligations	(4,451)	1,149	-	(188)	(3,490)
Unused tax losses	(75)	-	-	75	-
	<b>(905)</b>	<b>1,064</b>	<b>632</b>	<b>1,112</b>	<b>1,903</b>

AASB 112.81(g)

Deferred tax liabilities / (assets)	1 January 2017	Recognised in other comprehensive income	Included in disposal group	Recognised in business combination	Recognised in profit and loss	31 December 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>						
Other intangible assets	409	(27)	-	210	255	847
Property, plant and equipment	1,528	(68)	-	225	445	2,130
Other long term financial assets	-	-	-	-	(95)	(95)
Investment property	1,861	-	-	-	53	1,914
<b>Current assets</b>						
Trade and other receivables	(34)	-	-	-	(134)	(168)
<b>Non-current liabilities</b>						
Pension and other employee obligations	-	-	-	-	-	-
<b>Current liabilities</b>						
Provisions	(1,320)	-	70	-	243	(1,007)
Pension and other employee obligations	(2,996)	(1,062)	-	-	(393)	(4,451)
Unused tax losses	(300)	-	-	-	225	(75)
	<b>(852)</b>	<b>(1,157)</b>	<b>70</b>	<b>435</b>	<b>599</b>	<b>(905)</b>

The amounts recognised in other comprehensive income relate to revaluation of land and exchange differences on translating foreign operations. See Note 25.2 for the amount of the income tax relating to these components of other comprehensive income.

AASB 112.81(f)

A deferred tax liability of \$1,000 (2017: \$2,000) associated with an investment in a domestic subsidiary has not been recognised, as the Group controls the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future. The tax value is equivalent to a temporary difference of \$3,000 (2017: \$7,000).

AASB 112.81(e)

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

## 19 Goodwill

AASB 3.B67(d)

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

	2018	2017
	\$'000	\$'000
<b>Gross carrying amount</b>		
<b>Balance 1 January</b>	<b>3,727</b>	<b>1,234</b>
Acquired through business combination	2,438	2,569
Net exchange difference	(135)	(76)
<b>Balance 31 December</b>	<b>6,030</b>	<b>3,727</b>
<b>Accumulated impairment</b>		
Balance 1 January	(190)	-
Impairment loss recognised	(799)	(190)
Net exchange difference	-	-
<b>Balance 31 December</b>	<b>(989)</b>	<b>(190)</b>
<b>Carrying amount at 31 December</b>	<b>5,041</b>	<b>3,537</b>

### 19.1 Impairment testing

AASB 136.134

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

	2018	2017
	\$'000	\$'000
Retail	4,796	2,493
Consulting	245	1,044
<b>Goodwill allocation at 31 December</b>	<b>5,041</b>	<b>3,537</b>

AASB 136.134(c)  
AASB 136.134(d)

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

	2018 \$'000	2017 \$'000
Recoverable amount of each operating segment		
Retail	41,835	30,679
Consulting	62,562	48,354

AASB 136.134(d)(iv)

	Growth rates		Discount rates	
	2018	2017	2018	2017
Retail	3.0%	3.0%	9.3%	9.5%
Consulting	0.1%	0.5%	10.9%	10.1%

## 19.2 Growth rates

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

## 19.3 Discount rates

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

## 19.4 Cash flow assumptions

### Retail segment

AASB 136.134(d)(i)  
AASB 136.134(d)(ii)

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

### Consulting

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

The forecast was adjusted in 2017 for the decline in consulting services related to conventional telecommunication solutions. The market shifted considerably towards internet and intranet based solutions during 2017 and continued in 2018. As a result, management expects lower growth and moderately declining profit margins for this segment.



AASB 136.126(a)  
AASB 136.129(a)  
AASB 136.130(b) & (d)(i)

Impairment testing, taking into account these latest developments, resulted in the further reduction of goodwill in 2018 to its recoverable amount.

The related goodwill impairment loss of \$799,000 in 2018 (2017: \$190,000) was included within impairment of non-financial assets.

AASB 136.134(f)  
AASB 101.125

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

## 20 Other intangible assets

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

	Acquired software licenses	Internally developed software	Brand names	Customer lists	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	
AASB 138.118	Gross carrying amount					
	Balance at 1 January 2018	13,608	14,794	760	374	29,536
AASB 138.118(e)(i)	Addition, separately acquired	440	-	-	-	440
	Addition, internally developed	-	3,306	-	-	3,306
	Acquisition through business combination	3,653	-	215	1,387	5,255
AASB 138.118(e)(ii)	Disposals	(1,159)	-	-	-	(1,159)
AASB 138.118(e)(vii)	Net exchange differences	(73)	(54)	-	-	(127)
	Balance at 31 December 2018	16,469	18,046	975	1,761	37,251
	Amortisation and impairment					
	Balance at 1 January 2018	(6,063)	(9,381)	(162)	(89)	(15,695)
AASB 138.118(e)(vi)	Amortisation	(1,978)	(1,315)	(125)	(110)	(3,528)
	Impairment losses	-	(870)	-	-	(870)
	Disposals	350	-	-	-	350
	Net exchange differences	(48)	(36)	-	-	(84)
	Balance at 31 December 2018	(7,739)	(11,602)	(287)	(199)	(19,827)
AASB 138.118	Carrying amount 31 December 2018	8,730	6,444	688	1,562	17,424

	Acquired software licenses	Internally developed software	Brand names	Customer lists	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
AASB 138.118	<b>Gross carrying amount</b>				
	<b>Balance at 1 January 2017</b>	<b>8,672</b>	<b>14,600</b>	<b>-</b>	<b>-</b>
AASB 138.118(e)(i)	Addition, separately acquired	3,097	-	-	3,097
	Addition, internally developed	-	216	-	216
	Acquisition through business combination	1,859	-	768	378
AASB 138.118(e)(vii)	Net exchange differences	(20)	(22)	(8)	(4)
	<b>Balance at 31 December 2017</b>	<b>13,608</b>	<b>14,794</b>	<b>760</b>	<b>374</b>
	<b>Amortisation and impairment</b>				
	<b>Balance at 1 January 2017</b>	<b>(4,442)</b>	<b>(8,166)</b>	<b>-</b>	<b>-</b>
AASB 138.118(e)(vi)	Amortisation	(1,607)	(1,201)	(156)	(87)
AASB 138.118(e)(vii)	Net exchange differences	(14)	(14)	(6)	(2)
	<b>Balance at 31 December 2017</b>	<b>(6,063)</b>	<b>(9,381)</b>	<b>(162)</b>	<b>(89)</b>
	<b>Carrying amount 31 December 2017</b>	<b>7,545</b>	<b>5,413</b>	<b>598</b>	<b>285</b>
AASB 138.126	Additions to internally developed software include capitalised borrowing costs of \$80,000 (2017: \$78,000). In addition, research and development costs of \$1,690,000 (2017: \$1,015,000) were recognised as other expenses.				
AASB 136.130(b) AASB 136.130(c)(i) AASB 136.130(c)(ii) AASB 136.130(a) AASB 136.130(e) AASB 136.130(g)	An impairment loss of \$870,000 (2017: \$Nil) was recognised for internally developed software used to provide certain after-sales and maintenance services within the consulting unit. The recoverable amount of the asset is its value-in-use, determined based on management's expectation that the market will shift considerably towards other alternative software products and will significantly reduce future revenues and profits in the next two to three years (see Note 19 for the growth and discount rates used). Should the shift in the market to other software products occur more rapidly, the carrying amount of the software of \$100,000 (2017: \$970,000) would be reduced to \$Nil.				
AASB 138.118(d)	All amortisations and impairment charges are included in within depreciation, amortisation and impairment of non-financial assets.				
AASB 138.122(e)	During the year, the Group entered into an agreement to acquire enterprise resource planning software, to support the planning and administration of the Group's operations. Minimum contractual commitments resulting from this agreement are \$97,000 payable during 2019. No other material contractual commitments at 31 December 2018 (2017: None).				

## 21 Trade and other payables

Trade and other payables recognised consist of the following:

	2018 \$'000	2017 \$'000
<b>Trade and other payables</b>		
*Current:		
• trade payables	7,843	6,472
• short-term bank overdrafts	654	78
• finance lease liabilities	512	506
	<b>9,009</b>	<b>7,056</b>
Non-current:		
• Finance lease liability	4,060	4,459
<b>Total trade and other payables</b>	<b>13,069</b>	<b>11,515</b>

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

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

The fair value of the Group's finance liabilities has been estimated at \$4,572,000 (2017: 4,965,000). This amount reflects present value and takes into account interest rates available on secured bank borrowings on similar terms.

## 22 Provisions

AASB 101.69

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

	Restructuring \$'000	Other \$'000	Total \$'000
AASB 137.84(a) <b>Carrying amount 1 January 2018</b>	<b>2,110</b>	<b>1,235</b>	<b>3,345</b>
AASB 137.84(b) Additional provisions	-	1,570	1,570
AASB 137.84(c) Amount utilised	(876)	(2,211)	(3,087)
AASB 137.84(d) Reversals	(510)	(103)	(613)
AASB 137.84(a) <b>Carrying amount 31 December 2018</b>	<b>724</b>	<b>491</b>	<b>1,215</b>

Provisions recognised at acquisition date in a business combination are included in additions. Provisions classified as held for sale are included within amount utilised.

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

The provision for restructuring relates to the Phoenix Program, which was initiated in early 2016 and carried out predominantly in 2017 and 2018. The restructuring provision as at 31 December 2018 was reduced following to the outcome of several lawsuits brought against the Group during 2018 by former employees. Out of court settlements based on the outcome of earlier settlements are expected for most of the remaining claims. The Group's management expects to settle the remaining termination remuneration for former employees and legal fees relating to the restructuring programme in 2019. The Group is not eligible for any reimbursement by third parties in this regard. The Group's management expects to settle the remaining termination remuneration for former employees and legal fees relating to the restructuring program in 2019. The Group is not eligible for any reimbursement by third parties in this regard.

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

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

AASB 101.61

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

AASB 101.125  
AASB 137.92

The majority of the other provisions recognised at 31 December 2018 related to claims initiated in 2017 that were settled during 2018. Management, on the advice of counsel, does not expect the outcome of any of the remaining cases will give rise to any significant loss beyond the amounts recognised at 31 December 2018. None of the provisions will be discussed here in further detail so as to not seriously prejudice the Group's position in the related disputes.

## 23 Employee remuneration

### 23.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2018	2017
	\$'000	\$'000
<b>Employee benefits - expense</b>		
AASB 119.142 Wages, salaries	96,483	91,168
Social security costs	11,229	10,608
AASB 2.51(a) Share-based payments	298	466
Pensions – defined benefit plans	1,308	3,030
AASB 119.46 Pensions – defined contribution plans	4,491	4,243
AASB 119.142 <b>Employee benefits expense</b>	<b>113,809</b>	<b>109,515</b>

### 23.2 Share-based employee remuneration

As at 31 December 2018 the Group maintained two share-based payment schemes for employee remuneration, the Star Program and the Stay Program. Both programs will be settled in equity.

AASB 2.45(a)

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

AASB 2.45(a)

The Stay Program is part of the remuneration package of the Group's research and development and sales personnel. Options under this program will vest if the participant remains employed for the agreed vesting period. The maximum term of the options granted under the Stay Program ends on 4 January 2021. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 15-20% of the market price determined at grant date.

AASB 2.45 (b)

Share options and weighted average exercise prices are as follows for the reporting periods presented:

	Star Program		Stay program	
	Number of shares	Weighted average exercise of shares	Number of shares	Weighted average exercise price (\$)
<b>Outstanding at 1 January 2017</b>	<b>300,000</b>	<b>6.24</b>	<b>95,250</b>	<b>5.81</b>
Granted	-	-	-	-
Forfeited	(513)	6.24	(1,012)	5.81
Exercised	-	-	-	-
Expired	-	-	-	-
<b>Outstanding at 31 December 2018</b>	<b>299,487</b>	<b>6.24</b>	<b>94,238</b>	<b>5.81</b>
Granted	100,000	7.81	-	-
Forfeited	(312)	6.24	(3,489)	5.81
Exercised	(270,000)	6.24	-	-
<b>Outstanding at 31 December 2018</b>	<b>129,175</b>	<b>7.45</b>	<b>90,749</b>	<b>5.81</b>
<b>Exercisable at 31 December 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Exercisable at 31 December 2018</b>	<b>29,175</b>	<b>6.24</b>	<b>-</b>	<b>-</b>

AASB 2.45(c)

The weighted average share price at the date of exercise was \$11.19 (no exercises in 2018).

AASB 2.45(a)(i)

The fair values of options granted were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The performance condition related to the Star Program, being a market condition, has been incorporated into the measurement by means of actuarial modelling. The following principal assumptions were used in the valuation:

	Star Program		Stay Program
Grant date	1 January 2015	1 February 2018	5 January 2014
Vesting period ends	31 December 2017	31 January 2021	1 January 2019
Share price at date of grant	8.00	10.01	7.00
Volatility	50.00%	50.00%	50.00%

AASB 2.47

	Star Program		Stay Program
Option life	5 years	5 years	7 years
Dividend yield	1.00%	1.00%	1.00%
Risk free investment rate	4.00%	4.00%	4.00%
Fair value at grant date	4.00	6.70	5.30
Exercise price at date of grant	6.24	7.81	5.81
Exercisable from	1 January 2018	1 February 2021	1 February 2019
Exercisable to	31 December 2019	31 December 2022	4 January 2021
AASB 2.45(d) Weighted average remaining contractual life	1 year	4 years	2 years

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

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

AASB 2.51

In total, \$298,000 (2017: \$466,000) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to share option reserve.

## 23.3 Pension and other employee obligations

The liabilities recognised for employee benefits consist of the following amounts:<sup>8</sup>

	2018 \$'000	2017 \$'000
<b>Employee benefits - liabilities</b>		
Non-Current		
• Defined benefit plans	10,386	13,642
Current		
• Defined benefit plans	1,246	1,198
• Other short term employee benefits	221	303
<b>Current pension and other employee obligations</b>	<b>1,467</b>	<b>1,496</b>

AASB 101.69  
AASB 119.131

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2019. Other short-term employee obligations arise mainly from accrued holiday entitlement at the reporting date and expected pension payments in the next 12 months (without deduction of plan assets). As none of the employees are eligible for early settlement of pension arrangements, the remaining part of pension obligations for defined benefit plans is considered non-current. The non-current portion of the defined benefit liability is presented net of plan assets.

<sup>8</sup> In the statement of financial position, the current and non-current portion of the defined benefit obligation is presented separately to comply with AASB 101.60. However, paragraph 118 of AASB 119 *Employee Benefits* does not specify whether this disaggregation is needed. Therefore, an entity is also allowed to present the obligation as non-current in its entirety.

### *Defined benefit plan*

AASB 119.139(a)

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

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

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

AASB 119.139(a)

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

AASB 119.139(b)

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

### *Interest rate risk*

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

### *Investment risk*

The plan assets at 31 December 2018 are predominantly real estate, equity and debt instruments. The fair value of the plan assets is exposed to the real estate market (in Australia and the US). The equity instruments are significantly weighted towards the finance and pharmaceuticals sectors in Australia.

### *Longevity risk*

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

### *Inflation risk*

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

The liability recognised for the Group's DBO is represented net of plan assets in accordance with AASB 119.131(a) and (b). It consists of the following amounts:

AASB 119.140

	2018	2017
	\$'000	\$'000
Defined Benefit Obligations	53,874	47,410
Fair value of planned assets	(42,242)	(32,575)
	<b>11,632</b>	<b>14,835</b>
Classified as:		
• Current liability	1,246	1,193
• Non-current liability	10,386	13,642
	<b>11,632</b>	<b>14,835</b>

AASB 119.138(a)

The defined benefit obligation and plan assets are composed by geographical locations as follows:

	Australia	UK	US	Others	Total
	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined Benefit Obligation	24,482	17,321	11,529	542	53,874
Fair value of plan assets	(18,586)	(13,057)	(10,427)	(172)	(42,242)
	5,896	4,264	1,102	370	11,632

	Australia	UK	US	Others	Total
	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined Benefit Obligation	21,594	15,063	10,256	497	47,410
Fair value of plan assets	(14,123)	(9,748)	(8,553)	(151)	(32,575)
	7,471	5,315	1,703	346	14,835

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



### Defined Benefit Obligation (DBO)

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

		2018	2017
		\$'000	\$'000
AASB 119.140(a)(ii)	Defined benefit obligation 1 January	47,410	38,889
AASB 119.141(a)	Current service cost	1,308	1,530
AASB 119.141(b)	Interest cost	2,488	2,267
AASB 119.141(f)	Contributions by plan participants	658	650
AASB 119.141(c)(ii)	Re-measurement – actuarial losses from changes in demographic assumptions	916	1,091
AASB 119.141(c)(iii)	Re-measurement – actuarial losses from changes in financial assumptions	2,345	2,670
AASB 119.141(g)	Benefits paid	(1,251)	(1,187)
AASB 119.141(d)	Past service costs	-	1,500
AASB 119.141(a)(ii)	<b>Defined benefit obligation 31 December</b>	<b>53,874</b>	<b>47,410</b>
AASB 119.138(e)	Thereof:		
	• unfunded	-	-
	• partly unfunded	53,874	47,410

### Plan assets

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

		2018	2017
		\$'000	\$'000
AASB 119.140(a)(i)	<b>Fair value of plan assets 1 January</b>	<b>32,575</b>	<b>29,901</b>
AASB 119.141(b)	Interest income	1,983	1,718
AASB 119.141(c)(i)	Return on plan assets (excluding amounts included in net interest)	7,091	220
AASB 119.141(f)	Contributions by the Group	1,186	1,273
AASB 119.141(f)	Contributions by beneficiaries	658	650
AASB 119.141(g)	Benefits paid	(1,251)	(1,187)
AASB 119.140(a)(i)	<b>Fair value of plan assets 31 December</b>	<b>42,242</b>	<b>32,575</b>

The actual return on plan assets was \$9,074 in 2018 (2017: \$1,938).

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

		Total plan assets	
		2018	2017
		\$'000	\$'000
AASB 119.142(a)	Cash and cash equivalents	3,442	2,075
AASB 119.142(b)	Equity instruments:		
	• financial institutions	9,800	7,600
	• pharmaceuticals	8,100	4,300
	• oil and gas industry	1,600	1,700
	• manufacturing industry	1,500	1,200
	<b>Sub-total</b>	<b>21,000</b>	<b>14,800</b>
AASB 119.142(c)	Debt instruments:		
	• Australian government bonds	4,800	5,800
	• corporate bonds (rated AA and above)	3,100	5,600
	<b>Sub-total</b>	<b>7,900</b>	<b>11,400</b>
AASB 119.142(d)	Real estate:		
	• in Australia	6,700	2,500
	• in the US	3,200	1,800
	<b>Sub-total</b>	<b>9,900</b>	<b>4,300</b>
AASB 119.142(a)	<b>Total</b>	<b>42,242</b>	<b>32,575</b>

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

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

	Australia	UK	US	Others	Total
	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined benefit obligation	24,482	17,321	11,529	542	53,874
Fair value of plan assets	(18,586)	(13,057)	(10,427)	(172)	(42,242)
	<b>5,896</b>	<b>4,264</b>	<b>1,102</b>	<b>370</b>	<b>11,632</b>

	Australia 2017 \$'000	UK 2017 \$'000	US 2017 \$'000	Others 2017 \$'000	Total 2017 \$'000
Defined benefit obligation	21,594	15,063	10,256	497	47,410
Fair value of plan assets	(14,123)	(9,748)	(8,553)	(151)	(32,575)
	<b>7,471</b>	<b>5,315</b>	<b>1,703</b>	<b>346</b>	<b>14,835</b>

The significant actuarial assumptions used for the valuation are as follows<sup>9</sup>:

	2018	2017
Discount rate at 30 December	5.3%	5.5%
Salary growth rate	3.0%	3.2%
Average life expectancies:		
• male, 45 years at reporting date	84.5	84.5
• female, 45 years at reporting date	87.5	87.5
• male, 65 years at reporting date	82.5	82.5
• female, 65 years at reporting date	84.5	84.5

AASB 101.125(a)  
AASB 101.125(b)

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

AASB 119.67

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

#### Defined benefit plan expenses

AASB 119.120

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

	2018 \$'000	2017 \$'000
Current service cost	1,308	1,530
Past service cost	-	1,500
Net interest expense	505	549
<b>Total expenses recognised in profit or loss</b>	<b>1,813</b>	<b>3,579</b>

<sup>9</sup> For the purposes of these Example Financial Statements, it is assumed that the significant actuarial assumptions for the different geographical locations are the same. In practice, it is likely that there will be differences in the significant actuarial assumptions in different geographical locations, which will require their disclosure.

AASB 119.134

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

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

AASB 119.120

	2018	2017
	\$'000	\$'000
AASB 119.127(a)		
Actuarial losses from changes in demographic assumptions	(916)	(1,091)
AASB 119.127(a)		
Actuarial losses from changes in financial assumptions	(2,345)	(2,670)
AASB 119.127(b)		
Return on plan assets (excluding amounts included in net interest)	7,091	220
<b>Total income / (expenses) recognised in other comprehensive income</b>	<b>3,830</b>	<b>(3,541)</b>

AASB 119.122

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

#### Other defined benefit plan information

AASB 119.147(a)

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

AASB 119.147(b)

Based on historical data, the Group expects contributions of \$2,500,000 to be paid for 2019.

AASB 119.147(c)

The weighted average duration of the defined benefit obligation at 31 December 2018 is 23.3 years (2017: 23.2 years).

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

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 31 December 2018:

AASB 119.145(a)

#### Changes in the significant actuarial assumptions

Discount rate	Increase to 6.3%	Decrease to 4.3%
Increase / (decrease) in the defined benefit liability	(2,000)	2,100
Salary growth rate	Increase to 4.0%	Decrease to 2.0%
Increase / (decrease) in the defined benefit liability	950	(780)
Average life expectancies of males	Increase of one year	Decrease of one year
Increase / (decrease) in the defined benefit liability	1,140	(930)
Average life expectancies of females	Increase of one year	Decrease of one year
Increase / (decrease) in the defined benefit liability	1,280	(1,090)

AASB 119.145(b)

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

that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

## 24 Contract and other liabilities

Other liabilities consist of the following:

	2018 \$'000	2017 \$'000
<b>Other liabilities</b>		
Advances received for construction contract work	513	427
Contract liabilities - Deferred service income	2,123	2,291
Other	28	657
Deferred gain	100	100
<b>Other liabilities – current</b>	<b>2,764</b>	<b>3,475</b>
Contingent consideration for the acquisition of Goodtech	614	-
Deferred gain	1,400	1,500
<b>Other liabilities – non-current</b>	<b>2,014</b>	<b>1,500</b>

AASB 117.61

The deferred gain relates to a sale and leaseback of an office and production building in 2010. The excess of proceeds received over fair value was deferred and is being amortised over the lease term of 15 years. In 2018, deferred income of \$100,000 (2017: \$100,000) was recognised in profit or loss relating to this transaction. The subsequent leasing agreement is treated as an operating lease. The non-current part of the deferred gain will be amortised between 2020 and the end of the lease term.

AASB 101.69  
AASB 101.61

Advances received for construction contract work and deferred service income represent customer payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2019. As described in Note 4.7.

The construction of telecommunication system normally takes 10-12 months from commencement of design through to completion of installation.

Maintenance and extended warranty contracts vary from 12-36 months in length, however, customers are only required to pay in advance for each successive twelve-month period.

The amounts recognised in respect of construction contracts will generally be utilised within the next reporting.

## 25 Equity

### 25.1 Share capital

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

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

AASB 101.79(a)(iv)

	2018	2017	2018	2017
	Shares	Shares	\$'000	\$'000
Shares issued and fully paid:				
• beginning of the year	12,000,000	12,000,000	15,050	15,050
• issued under share-based payments	270,000	-	1,685	-
• share issue	1,500,000	-	16,680	-
<b>Total contributed equity at 31 December</b>	<b>13,770,000</b>	<b>12,000,000</b>	<b>33,415</b>	<b>15,050</b>

Additional shares were issued during 2018 relating to share-based payments (see Note 23.2 for details on the Group's share-based employee remuneration schemes).

The Group issued 1,500,000 shares on 30 September 2018, corresponding to 12.5% of total shares issued. Each share has the same right to receive dividend and the repayment of capital and represents one vote at the Shareholders' Meeting of Grant Thornton CLEARR.

AASB 101.79(a)(vii)

The authorised shares that have not yet been issued have been authorised solely for use in the Group's share-based remuneration programs (see Note 23.2).

## 25.2 Other components of equity

The details of the other reserves are as follows:

	Foreign currency translation reserve	Revaluation reserve	AFS financial assets reserve	Cash flow hedging reserves	Debt FVOCI reserve	Equity FVOCI reserve	Actuarial adjustments on defined benefit plans	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AASB 101.106(d)(i)								
AASB 101.106A	Balance at 1 January 2018	(359)	689	(22)	140	-	-	(414)
	Adjustment due to adoption of AASB 9	-	-	22	-	-	-	22
AASB 101.106A	Balance at 1 January 2018	(359)	689	-	140	-	-	(392)
AASB 119.120(c)	Re-measurement of net defined benefit liability	-	-	-	-	-	3,830	3,830
	Cash flow hedges:							
AASB 7.24C (b)(ii)	• current year gains	-	-	-	890	-	-	890
AASB 7.24C (b)(ii)	• reclassification to profit or loss	-	-	-	(640)	-	-	(640)
AASN 101.92	Financial assets FVOCI							
AASB 7.20(a)(ii)	• current year gains/(losses) - items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	(35)	(35)
	• current year gains/(losses) - items that may be reclassified subsequently to profit or loss	-	-	-	-	35	-	35
	Revaluation of land	-	303	-	-	-	-	303
	Exchange differences on translating foreign operations	(664)	-	-	-	-	-	(664)
AASB 121.52(b)	Equity accounted investment	-	-	-	5	-	-	5
	• reclassification to profit or loss	-	-	-	(3)	-	-	(3)
	Before tax	(664)	303	-	252	-	-	3,721
AASB 101.91(b)	Tax benefit/ (expense)	176	(91)	-	-	-	(1,149)	(1,064)

AASB 101.90	Net of tax	(488)	212	-	252	35	(35)	2,681	2,657
	<b>Balance at 31 January 2018</b>	<b>(847)</b>	<b>901</b>	<b>-</b>	<b>392</b>	<b>35</b>	<b>(35)</b>	<b>1,819</b>	<b>2,265</b>
AASB 101.106(d)(i)									
		Foreign currency translation reserve	Revaluation reserve	AFS financial assets reserve	Cash flow hedges reserves	Actuarial adjustments on defined benefit plans	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
AASB 101.106A	<b>Balance at 1 January 2017</b>	<b>(113)</b>	<b>689</b>	<b>-</b>	<b>312</b>	<b>1,617</b>	<b>2,505</b>		
	OCI for the year (all attributable to the parent):								
AASB 119.120(c)	Re-measurement of net defined benefit liability	-	-	-	-	(3,541)	(3,541)		
	Cash flow hedges:								
AASB 7.24C(b)(ii)	• current year gains	-	-	-	540	-	540		
AASB 7.24C(b)(iv) AASB 101.92	• reclassification to profit or loss	-	-	-	(712)	-	(712)		
AASB 7.20(a)(viii)	AFS financial assets:					-			
AASB 7.20(a)(viii) AASB 101.92	• current year gains	-	-	(22)	-	-	(22)		
	• reclassification to profit or loss	-	-	-	-	-	-		
	Revaluation of land	-	-	-	-	-	-		
AASB 121.52(b)	Exchange differences on translating foreign operations	(341)	-	-	-	-	(341)		
AASB 101.91(b)	<b>Before tax</b>	<b>(341)</b>	<b>-</b>	<b>(22)</b>	<b>(172)</b>	<b>(3,541)</b>	<b>(4,076)</b>		
AASB 101.90	Tax benefit / (expense)	95	-	-	-	1,062	1,157		
	Net of tax	(246)	-	(22)	(172)	(2,479)	(2,919)		
	<b>Balance at 31 December 2017</b>	<b>(359)</b>	<b>689</b>	<b>(22)</b>	<b>140</b>	<b>(862)</b>	<b>(414)</b>		



## 26 Earnings per share and dividends

### 26.1 Earnings per share

AASB 133.70(a)

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Grant Thornton CLEARR) as the numerator (i.e. no adjustments to profit were necessary in 2018 or 2017).

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

	2018	2017
Amounts in thousand shares		
• weighted average number of shares used in basic earnings per share	12,520	12,000
• shares deemed to be issued for no consideration in respect of share based payments	17	21
<b>Weighted average number of shares used in diluted earnings per share</b>	<b>12,537</b>	<b>12,021</b>

AASB 133.107(b)

### 26.2 Dividends

	2018	2017
Dividends declared during the year:		
• fully franked interim dividend (\$0.25 per share)	3,000	-
<b>Remuneration for audit and review of financial statements</b>	<b>3,000</b>	<b>-</b>

The tax rates applicable to the franking credits attached to the interim dividend and to be attached to the final dividend is 30% (2017: 30%).

AASB 101.137(a)  
AASB 112.81(i)

Also during 2018, the Directors proposed the payment of a dividend of \$6,885,000 (\$0.50 per share). As the distribution of dividends by Grant Thornton CLEARR requires approval at the shareholders' meeting, no liability in this respect is recognised in the 2018 consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the level of Grant Thornton CLEARR.

### 26.3 Franking credits

Franking credits and debits for the reporting period are detailed below.

	2018	Parent 2017
	\$'000	\$'000
The amount of the franking credits available for subsequent reporting periods are:		
• Balance at the end of reporting period	2,450	3,523
• franking credits that will arise from the payment of the amount of provision for		

AASB 1054.13

	2018	Parent 2017
	\$'000	\$'000
income tax	408	294
• franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	-	-
• franking credits that will arise from the receipt of dividends recognised as receivables at the end of reporting period	-	-
	<b>2,858</b>	<b>3,817</b>

## 27 Reconciliation of cash flows

### 27.1 Reconciliation of cash flows from operating activities

	2018	2017
	\$'000	\$'000
<b>Reconciliation of cash flows from operating activities</b>		
<b>Cash flows from operating activities</b>		
Profit for the period	15,473	13,246
Adjustments for:		
• depreciation, amortisation and impairment	7,942	6,826
• FV gains on financial assets / derivatives	(219)	373
• defined benefits plan adjustment	465	707
• changes in fair value of investment property	(310)	(175)
• share of profit of equity accounted investments	(60)	(12)
• bad debt expense	72	864
• foreign exchange differences	(937)	(1,164)
• acquisition costs included in investing	223	76
• return on plan assets	(2,445)	(2,417)
• net interest and dividends received included in investing and financing	221	439
Net expense included in investing	244	140
Net changes in working capital:		
• change in inventories	7,823	6,764
• change in trade and receivables	(281)	(573)
• change in other assets	(496)	547

AASB 1054.16

	2018	2017
	\$'000	\$'000
• change in trade and other payables	(2,841)	(2,856)
• change in other employee obligations	(82)	23
• change in deferred tax	1,215	971
• change in provisions	(40)	(2,825)
<b>Net cash from operating activities</b>	<b>25,967</b>	<b>20,954</b>

AASB 107.43

In 2018, the Group acquired Goodtech. The consideration transferred included a contingent payment arrangement amounting to \$600,000 as of the acquisition date. The initial recognition of this liability and the subsequent unwinding of the discount of \$20,000 (2017: \$Nil) are non-cash transactions excluded from the statement of cash flows.

## 27.2 Reconciliation of liabilities arising from cash flows from financing activities

AASB 107.44A

	2017	Cash flows			Non-cash movements		2018
		Proceeds	Repayments	Interest paid	Fair Value Movement	Interest Expense	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	29,609	1,441	(3,778)	(1,015)	3,115	1,015	30,387

## 28 Auditor remuneration

CA 300(11Ba)/(11Ca)

AASB 1054.10a

	2018	2017
	\$'000	\$'000
<b>Audit and review of financial statements</b>		
Auditors of Grant Thornton CLEARR – Grant Thornton Australia	220,000	196,000
Overseas Grant Thornton network firms	95,000	78,000
<b>Remuneration from audit and review of financial statements</b>	<b>315,000</b>	<b>274,000</b>
<b>Other services</b>		
Auditors of Grant Thornton CLEARR – Grant Thornton Australia:		
• taxation compliance	25,700	24,900
Overseas Grant Thornton network firms:		
• due diligence services	73,590	85,450
<b>Total other service remuneration</b>	<b>99,290</b>	<b>110,350</b>
<b>Total auditor's remuneration</b>	<b>414,290</b>	<b>384,350</b>

AASB 1054.10b

## 29 Related party transactions

AASB 124.18(g)

The Group's related parties include its associates and joint venture, key management, post-employment benefit plans for the Group's employees and others as described below. In addition, Grant Thornton CLEARR has a subordinated loan from its main shareholder, the LOM Investment Trust, on which interest of \$200,000 (2017: \$200,000) is paid.

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

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

### 29.1 Transactions with associates

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

In order to meet peak demands by its customers, the Group has some of its consulting services carried out by professionals of its associate, Equipe Consultants S.A. During 2018, Equipe Consultants S.A. provided services valued at \$568,000 (2017: \$590,000). The outstanding balance of \$20,000 (2017: \$22,000) due to Equipe Consultants S.A. is included in trade payables.

### 29.2 Transactions with joint ventures

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

During 2018, Halftime Ltd provided services valued at \$10,000 (2017: \$3,000). There is no outstanding balance as at 31 December 2018 (2017: \$Nil).

### 29.3 Transactions with key management personnel

AASB 124.17(b)  
AASB 124.18(f)

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

	2018	2017
	\$'000	\$'000
AASB 124.17(a)		
Short term employee benefits:		
• salaries including bonuses	2,320	2,115
• social security costs	70	34
• company car allowance	220	190
<b>Total short term employee benefits</b>	<b>2,610</b>	<b>2,339</b>
AASB 124.17(c)		
Long service leave	100	95
<b>Total other long-term benefits</b>	<b>100</b>	<b>95</b>
AASB 124.17(b)		
Post-employment benefits:		
• defined benefit pension plans	312	299
• defined contribution pension plans	25	12
<b>Total post-employment benefits</b>	<b>337</b>	<b>311</b>
AASB 124.17(d)		
Termination benefits	100	-
AASB 124.17(e)		
Share-based payments	103	175
<b>Total remuneration</b>	<b>3,250</b>	<b>2,920</b>

AASB 124.17

During 2018, certain key management personnel exercised share options with total exercise price of \$1,685,000 (2017: \$Nil) granted in the Group's Star Program.

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

The Group allows its employees to take up limited short-term loans to fund merchandise and other purchases through the Group's business contacts. This facility is also available to the Group's key management personnel.

The table below explains the Group's loans to key management personnel during 2018 and 2017 financial years:

	2018	2017
	\$'000	\$'000
Beginning of the year	1,000	3,000
Loans advanced	40,000	38,000
Loan repayment received	40,000	40,000
Interest charged	-	-
Interest received	-	-
<b>End of year</b>	<b>1,000</b>	<b>1,000</b>

AASB 124.18(c)  
AASB 124.18(d)

The Group does not have an allowance account for receivables relating to outstanding loans and has not recognised any expense for impaired receivables during 2018 or 2017 financial years.

AASB 124.18(b)(i)

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

During 2018, the Group used the legal services of one Company Director and the law firm over which he exercises significant influence. The amounts billed related to this legal service amounted to \$21,000 (2017: \$Nil), based on normal market rates and was fully paid as of the reporting date.

## 29.4 Transactions with defined benefit plan

AASB 124.9(g)

The defined benefit plan is a related party. The defined benefit plan does not hold shares in Grant Thornton CLEARR. The Group's only transaction with the defined benefit plan relates to contributions paid to the plan (see Note 23.3).

## 30 Contingent liabilities

AASB 101.114(d)(i)  
AASB 137.89

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

AASB 137.92

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

## 31 Capital commitments

AASB 116.74c  
AASB 140.75h  
AASB 138.122e

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

	2018	2017
	\$'000	\$'000
Property, plant and equipment	1,304	190
Investment property	-	-
Intangible assets	97	-
	<b>1,401</b>	<b>190</b>

## 32 Acquisitions and disposals

### 32.1 Acquisition of Goodtech Ltd

AASB 3.B64(a-d)

On 31 March 2018, the Group acquired 100% of the equity instruments of Goodtech Ltd (Goodtech), a Brisbane based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the online retail market for computer and telecommunications hardware in Australia. Goodtech is a significant business in the Group's targeted market.

The details of the business combination are as follows:

	\$'000
<b>Fair value of consideration transferred</b>	
Amount settled in cash	16,058
Fair value of contingent consideration	600
<b>Total</b>	<b>16,658</b>
<b>Recognised amounts of identifiable net assets</b>	
Property, plant and equipment	4,622
Intangible assets	5,255
Investment property	75
<b>Total non-current assets</b>	<b>9,952</b>
Inventories	8,995
Trade and other receivables	7,792
Cash and cash equivalents	567
<b>Total current assets</b>	<b>17,354</b>
Borrowings	(3,478)
Deferred tax liabilities	(632)

AASB 3.B64(f)(i)

AASB 3.B64(f)(iii)

AASB 107.40(a)

AASB 3.B64(j),  
AASB 107.40(d)

	\$'000
<b>Total non-current assets</b>	<b>(4,110)</b>
Provisions	(1,320)
Other liabilities	(2,312)
Trade and other payables	(5,344)
<b>Total non-current liabilities</b>	<b>(8,976)</b>
Identifiable net assets	14,220
<b>Goodwill on acquisition</b>	<b>2,438</b>
Consideration transferred settled in cash	16,058
Cash and cash equivalents acquired	(567)
<b>Net cash outflow on acquisition</b>	<b>15,491</b>
Acquisition costs charged to expenses	223
<b>Net cash paid relating to the acquisition</b>	<b>15,714</b>

#### Consideration transferred

AASB 3.B64(f)(i)

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

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

The purchase agreement included an additional consideration of \$1,310,000, payable only if the average profits of Goodtech for 2018 and 2019 exceed a target level agreed by both parties. The additional consideration will be paid on 1 April 2020. The \$600,000 fair value of the contingent consideration liability initially recognised represents the present value of the Group's probability-weighted estimate of the cash outflow. It reflects management's estimate of a 50% probability that the targets will be achieved and is discounted using an interest rate of 4.4%.<sup>10</sup>

As at 31 December 2018, there have been no changes in the estimate of the probable cash outflow but the liability has increased to \$620,000 due to the unwinding of the discount.

AASB 3.B64(m)

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

#### Identifiable net assets

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

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

#### Goodwill

AASB 3.67  
AASB 136.133  
AASB 3.B64(k)

Goodwill of \$2,438,000 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Goodtech's workforce and expected cost synergies. Goodwill has been allocated to cash-generating units at 31 December 2018. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

<sup>10</sup> The determination of the acquisition-date fair value of the contingent consideration should consider the expected outcome of the contingency. This example illustrates one possible approach in estimating the fair value of contingent consideration.

### Goodtech's contribution to the group results

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

Goodtech incurred a loss of \$20,000 for the nine months from 31 March 2018 to the reporting date, primarily due to integration costs. If Goodtech had been acquired on 1 January 2018, revenue of the Group for 2018 would have been \$212 million, and profit for the year would have increased by \$350,000.

## 32.2 Acquisition of Good Buy Inc.

AASB 3.B64(a) - (d)

On 30 June 2017, the Group acquired 100% of the equity instruments of Good Buy Inc. (Good Buy), a Delaware (USA) based business, thereby obtaining control. The acquisition of Good Buy was made to enhance the Group's position as an online retailer for computer and telecommunication hardware in the US market.

AASB 3.B64(i)

The details of the business combination are as follows:

	\$'000
AASB 3.B63(f)(i)	Fair value of consideration transferred:
AASB 3.B63(f)(iii) AASB 107.40 (a)	Amount settled in cash 12,420
AASB 3.B64(f)(iii) AASB 107.40(d)	<b>Recognised amounts of identifiable net assets:</b>
	Property, plant and equipment 3,148
	Intangible assets 3,005
	<b>Total non-current assets 6,153</b>
	Inventories 5,469
	Trade and other receivables 5,200
	Cash and cash equivalents 345
	<b>Total current assets 11,014</b>
	Deferred tax liabilities (435)
	<b>Total non-current liabilities (435)</b>
	Provisions (1,234)
	Other liabilities (657)
	Trade and other payables (4,990)
	<b>Total non-current liabilities (6,881)</b>
	Net identifiable assets 9,851
	Goodwill on acquisition 2,569
AASB 107.40(c)	Consideration transferred settled in cash 12,420
AASB 107.40(c)	Cash and cash equivalents acquired (345)
AASB 107.42	Net cash outflow on acquisition 12,076
	<b>Acquisition costs charged to expenses 76</b>



### Consideration transferred

AASB 3.B64(f)(i)

The acquisition of Good Buy was settled in cash amounting to \$12,420,000.

AASB 3.B64(m)

Acquisition-related costs amounting to \$76,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of 'other expenses'.

### Identifiable net assets

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

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

### Goodwill

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

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

### Good Buy's contribution to the Group results

AASB 3.B64(q)(iii)

Good Buy contributed \$ 9,540,000 of revenue and \$400,000 to the consolidated profit for the six months from 1 July 2017 to 31 December 2017. If Good Buy had been acquired on 1 January 2017, revenue of the Group for 2017 would have been \$196 million. However, due to a lack of IFRS-specific data prior to the acquisition of Good Buy, pro-forma profit or loss of the combined entity for the complete 2017 reporting period cannot be determined reliably.

## 32.3 Disposal of Highstreet Ltd

See Note 33.3 below.

# 33 Interests in subsidiaries

## 33.1 Composition of the Group

AASB 12.10(a)(i)  
AASB 12.12

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

Name of the subsidiary	Country of the incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			31 December 2018	31 December 2017
Goodtech Ltd	Australia	Online retailer of computer and telecommunications hardware	100%	-
Good Buy Inc	USA	Online retailer of computer and telecommunications hardware	100%	100%
Tech Squad Ltd	Australia	Design and sale of phone and intranet applications	80%	80%
Data Corp	United Kingdom	Online sales of hardware and software products	100%	100%
Highstreet Ltd	United Kingdom	Design and sale of phone and intranet applications	-	100%

### Significant judgements and assumptions

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

AASB 12.9  
AASB 12.7

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

AASB 10.B41-B46

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

## 33.2 Subsidiary with material non-controlling interests

AASB 12.12

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

Name	Proportion of NCI ownership interests and voting rights		Profit allocated to NCI		Accumulated NCI	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Tech Squad Ltd	20%	20%	121	116	713	592

AASB 12.B10(a)

No dividends were paid to the NCI during the years 2018 and 2017.

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

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

	2018 \$'000	2017 \$'000
Current assets	3,924	3,452
Non-current assets	5,019	5,182
<b>Total assets</b>	<b>8,943</b>	<b>8,634</b>
Current liabilities	(1,561)	(2,268)
Non-current liabilities	(3,806)	(3,402)
<b>Total liabilities</b>	<b>(5,367)</b>	<b>(5,670)</b>
<b>Equity attributable to owners of the parent</b>	<b>2,863</b>	<b>2,372</b>
<b>Non-controlling interests</b>	<b>713</b>	<b>592</b>
<b>Revenue</b>	<b>7,658</b>	<b>7,116</b>
Profit for the year attributable to owners of the parent	479	464
Profit for the year attributable to NCI	121	116
<b>Profit for the year</b>	<b>600</b>	<b>580</b>

	2018 \$'000	2017 \$'000
<b>Other Comprehensive Income for the year (all attributable to owners of the parent)</b>	<b>6</b>	<b>4</b>
Total comprehensive income for the year attributable to owners of the parent	479	464
Total comprehensive income for the year attributable to NCI	121	116
<b>Total comprehensive income for the year</b>	<b>606</b>	<b>584</b>
Net cash from operating activities	957	779
Net cash used in investing activities	(531)	(673)
Net cash from / (used in) financing activities	446	(61)
<b>Net cash inflow</b>	<b>872</b>	<b>45</b>

### 33.3 Losing control over a subsidiary during the reporting period

On 30 September 2018, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Ltd (Highstreet). The subsidiary was classified as held for sale in the 2017 financial statements.

The consideration was received in 2018. At the date of disposal, the carrying amounts of Highstreet's net assets were as follows:

	2018 \$'000
Property, plant and equipment	2,475
Total non-current assets	2,475
Inventories	1,121
Cash and cash equivalents	-
Total current assets	1,121
Provisions	(232)
Borrowings	(8)
Trade and other payables	(210)
Total current liabilities	(450)
Total net assets	3,146
Total consideration received in cash	3,117
Cash and cash equivalents disposed of	-
<b>Net cash received</b>	<b>3,117</b>
<b>Loss on disposal</b>	<b>(29)</b>

AASB 107.40(b)  
AASB 107.40(d)

AASB 107.40(c)

AASB 107.40(a)

AASB 107.42

AASB 10.25

AASB 12.19(b)

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

### 33.4 Interests in unconsolidated structured entities

AASB 12.24

The Group has no interests in unconsolidated structured entities.

## 34 Leases

### 34.1 Finance leases as lessee

AASB 117.31(a)

The Group's main warehouse and related facilities and certain IT equipment are held under finance lease arrangements. As of 31 December 2018 the net carrying amount of the warehouse and related facilities held under finance lease arrangements (included as part of buildings) is \$3,362,000 (2017: \$3,723,000); and the net carrying amount of the IT equipment held under finance lease arrangements (included as part of IT equipment) is \$231,000 (2017: \$480,000).

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

	2018	2017
	\$'000	\$'000
Current		
• finance lease liabilities	512	506
Non-Current		
• finance lease liabilities	4,060	4,459

Future minimum finance lease payments at the end of each reporting period under review were as follows:

	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	Total
	\$'000	\$'000	\$'000	\$'000
<b>31 December 2018</b>				
Lease payments	727	1,415	3,539	5,681
Finance charges	(215)	(330)	(528)	(1,109)
Net present values	512	1,085	2,975	4,572
<b>31 December 2017</b>				
Lease payments	726	1,432	4,072	6,230
Finance charges	(220)	(336)	(709)	(1,265)
<b>Net present values</b>	<b>506</b>	<b>1,096</b>	<b>3,363</b>	<b>4,965</b>

AASB 117.31(b)

AASB 117.31(b)

AASB 117.31(e)

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

## 34.2 Operating leases as lessee

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

	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2018	4,211	12,567	25,678	42,456
AASB 117.35(a) 31 December 2017	3,431	12,100	24,342	39,873

AASB 117.35(c)  
AASB 117.35(b)

Lease expense during the period amount to \$3,568,000 (2017: \$3,398,000) representing the minimum lease payments.

AASB 117.35(d)

The rental contract has a non-cancellable term of 15 years. The building was subject to a sale and lease back transaction in 2009. A related gain was included in other liabilities and is being amortised over the remaining lease term.

## 34.3 Operating leases as lessor

The Group leases out investment properties on operating leases.

# 35 Financial instrument risk

## Risk management objectives and policies

AASB 101.114(d)(ii)  
AASB 7.33

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

AASB 7.IG15

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

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

The Group enters into derivatives, principally for hedging foreign exchange risk. Associated disclosures relating to hedge accounting are included in Note 12.5.

#### Guidance Note:

AASB 9 amended AASB 7 to allow disclosures of financial instruments risks arising from the entity's hedge accounting activities and associated risk managing strategies to be placed outside the financial statements. Although paragraph AASB 7.21B requires entities to present the required disclosures in a single note or separate section in its financial statements, entities need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to some other statement. For example, reference could be made to a management commentary or risk report, which should be available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

## 34.1 Market risk analysis

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

### Foreign currency sensitivity

AASB 7.33(a)

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

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

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

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

	Short term exposure			Long term exposure		
	\$USD	£GBP	Other	\$USD	£GBP	Other
	\$'000	£'000	\$'000	\$'000	£'000	\$'000
<b>31 December 2018</b>						
Financial assets	4,518	3,629	308	1,363	-	-
Financial liabilities	710	1,658	-	(7,770)	-	-
<b>Total exposure</b>	<b>3,808</b>	<b>1,971</b>	<b>308</b>	<b>(6,407)</b>	<b>-</b>	<b>-</b>

AASB 7.34(a)

AASB 7.34(c)

	Short term exposure			Long term exposure		
	\$USD	£GBP	Other	\$USD	£GBP	Other
	\$'000	£'000	\$'000	\$'000	£'000	\$'000
<b>31 December 2017</b>						
Financial assets	2,920	1,840	233	1,442	-	-
Financial liabilities	586	1,368	-	(7,965)	-	-
<b>Total exposure</b>	<b>2,334</b>	<b>472</b>	<b>233</b>	<b>(6,523)</b>	<b>-</b>	<b>-</b>

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

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the \$USD/\$AUD exchange rate and £GBP/\$AUD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the \$AUD/\$USD exchange rate for the year ended at 31 December 2018 (2017: 10%). A +/- 5% change is considered for the \$AUD/£GBP exchange rate (2017: 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the \$AUD had strengthened against the \$USD by 10% (2017: 10%) and £GBP by 5% (2017: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	GBP	Total	USD	GBP	Total
	\$'000	£'000	\$'000	\$'000	£'000	\$'000
31 December 2018	(97)	(99)	(196)	(47)	(99)	(146)
31 December 2017	(53)	(24)	(77)	(3)	(24)	(27)

If the \$AUD had weakened against the \$USD by 10% (2017: 10%) and £GBP by 5% (2017: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	GBP	Total	USD	GBP	Total
	\$'000	£'000	\$'000	\$'000	£'000	\$'000
31 December 2018	97	97	194	37	97	134
31 December 2017	53	20	73	13	20	33

AASB 7.42

The higher foreign currency exchange rate sensitivity in profit in 2018 compared with 2017 is attributable to an increase in foreign currency denominated debt. Equity is more sensitive in 2018 than in 2017 because of an increase in use of foreign currency forwards.

#### Interest rate sensitivity

AASB 7.33(a)  
AASB 7.33(b)

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2018, the Group is exposed to

changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The Group's investments in bonds all pay fixed interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

AASB 7.40(b)  
AASB 7.IG36

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2017: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year			Equity
	\$'000	\$'000	\$'000	\$'000
	+1%	-1%	+1%	-1%
31 December 2018	36	(36)	26	(16)
31 December 2017	32	(32)	23	(14)

#### Other price risk sensitivity

AASB 7.33(a)

The Group is exposed to other price risk in respect of its listed equity securities, the investment in XY Ltd.

AASB 7.40(a)  
AASB 7.40(b)

For the listed equity securities, an average volatility of 20% has been observed during 2018 (2017: 18%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by \$85,000 (2017: \$62,000).

AASB 7.33(b)

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

## 35.2 Credit risk analysis

AASB 7.33(a)  
AASB 7.36(a)

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc.

#### Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The group's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.



Service customers are required to pay the annual amount of the service upfront, mitigating the credit risk. Trade receivables consist of a large number of customers in various industries and geographical areas.

### Security

Trade receivables consist of a large number of customers in various industries and geographical areas. The Group does not hold any security on the trade receivables balance. In addition, the group does not hold collateral relating to other financial assets (eg derivative assets, cash and cash equivalents held with banks).

### Trade receivables

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2018 and 1 January respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

#### Guidance Note:

The credit risk disclosure as illustrated in the financial statements does not include all the required disclosure in AASB 7 for each class of financial asset, this is because such disclosure was immaterial for that class of financial asset. In practice it is a challenge in determining how much detail to provide to satisfy the requirements of AASB 7.

Much of the challenge is when determining how much detail to include in the financial statements or how much emphasis to place on different aspects of the requirements and the level of aggregation. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist the users of the financial statements and obscuring important information as a result of too much aggregation.

Detailed credit risk disclosure on the following items has not been included as they were immaterial:

- amounts due from banks (material in value but short term and assumed the omitted

**Guidance Note: (continued)**

- listed bonds and other debentures
- derivative financial assets (not subject to the impairment model as carried at fair value).

Particular challenge will apply where there are material long-term financial assets, particularly where these are carried at amortised cost or FVOCI and hence are within the scope of the AASB 9 impairment model. While many corporate entities will not have these there will be many exceptions to this.

For instance, for this note in particular, in different circumstances entities may have to include:

- enhanced disclosures in areas such as credit risk management practices where AASB 7.35F-35G has specific requirements relating to various judgements made in applying the AASB 9 expected credit loss model
- quantitative and qualitative information about amounts arising from expected credit losses in accordance with AASB 7.35H -35L. These disclosures require quantitative information about changes in the credit loss provisions within the three buckets along with other information relating to changes in the equivalent gross amounts.

On the above basis the expected credit loss for trade receivables as at 31 December 2018 and 1 January 2018 was determined as follows:

AASB 7.35N	Current	More than 30 days	More than 60 days	More than 90 days	Total	
AASB 7.IG20D	31 December 2018	\$'000	\$'000	\$'000	\$'000	
AASB 7.IG20G (a)	Expected credit loss rate	1.7%	6.5%	18%	60%	-
AASB 7.IG20G (a)	Gross carrying amount	29,620	827	671	147	31,625
	Lifetime expected credit loss	504	54	121	88	767

AASB 7.35N	Current	More than 30 days	More than 60 days	More than 90 days	Total	
AASB 7.IG20D	31 December 2017	\$'000	\$'000	\$'000	\$'000	
AASB 7.IG20G (a)	Expected credit loss rate	1.5%	6%	16%	55%	-
AASB 7.IG20G (a)	Gross carrying amount	22,032	925	828	104	23,889
	Lifetime expected credit loss	331	56	135	57	579

AASB 7.33H(b)(iii)

The closing balance of the trade receivables loss allowance as at 31 December 2018 reconciles with the trade receivables loss allowance opening balance as follows:

		2018	2017
		\$'000	\$'000
AASB 7.42P	Loss allowance as at 1 January calculated under AASB 139	560	335
	Amounts restated through opening retained earnings	19	-
	Opening loss allowance as at 1 January 2018	579	-
	Loss allowance recognised during the year	198	225
AASB 7.35I(c)	Receivables written off during the year	-	-
AASB 7.35I(c)	Loss allowance unused and reversed during the year	(10)	-
AASB 7.42P	Loss allowance as at 31 December	<b>767</b>	<b>560</b>

AASB 7.36(c)  
AASB 7.IG23

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

#### Guidance Note:

In these Financial Statements, the trade receivables have all been assessed collectively for credit risk. There may be situations in practice where it would not be appropriate to assess all the receivables collectively either due to the receivables having different subcategories which do not share the same credit risk or the size of receivable is such that is managed and assessed on an individual basis. As such it is required that an entity disclosure information about how an entity has grouped financial instruments if they are assessed or measured on a collective basis.

The matrix used to disclosure the credit risk exposure for trade receivables above is different from the impairment provision matrix use under AASB 139. The disclosure of credit risk disclosure under AASB 9 is provided by credit risk grades and in this case the aging is a proxy of the credit risk grades (AASB 7.35M, 35N). For the reasons expressed above, the entity has not included AASB 7.35M disclosures relating to other financial assets such as amounts due from banks

#### Debt investments

AASB 7.35(f)

All the Group's investments in bonds and debentures measured at amortised cost are considered to have low credit risk and the loss allowance recognised is based on the 12 months expected loss. Management consider "low credit risk" for listed bonds and debentures to be those with high quality external credit ratings (investment grade).

#### Other receivables

Other financial assets at amortised cost include amounts due from ABC limited.

The closing balance of the of the other receivables and debt investments at amortised cost loss allowance as at 31 December 2018 reconciles with the other receivables and debt investments at amortised cost loss allowance opening balance as follows:

		Other receivables \$'000	Debt investments \$'000
AASB 7.42P	Loss allowance as at 1 January calculated under AASB 139	-	-
	Amounts restated through opening retained earnings	3	30
	Opening loss allowance as at 1 January 2018	3	30
	Loss allowance recognised during the year	1	3
AASB 7.35I(c)	Receivables written off during the year	-	-
	Loss allowance as at 31 December	<b>4</b>	<b>33</b>

The Group is also exposed to credit risk relating to derivative assets that are measured at fair value through profit or loss. The maximum exposure as at 31 December 2018 is the carrying amount of these instruments \$212,000 (2017: \$490,000).

## 35.5 Liquidity risk analysis

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

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

AASB 7.39(c)  
AASB 7.B11F

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

AASB 7.B11E

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

As at 31 December 2018, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

AASB 7.39(a)

AASB 7.B11

	Current			Non-current
	Within 6 months	6 - 12 months	1 - 5 years	5+ years
	\$'000	\$'000	\$'000	\$'000
<b>31 December 2018</b>				
US-Dollar loans	280	280	1,761	8,215
Other bank borrowings	4,565	-	-	-
Non-convertible bond	208	208	8,888	-

AASB 7.39(a)

AASB 7.B11

	<b>Current</b>		<b>Non-current</b>	
	<b>Within 6 months</b>	<b>6 - 12 months</b>	<b>1 - 5 years</b>	<b>5+ years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Finance lease obligations	364	364	1,415	3,539
Trade and other payables	8,547	-	-	-
<b>Total</b>	<b>13,964</b>	<b>852</b>	<b>12,064</b>	<b>11,754</b>

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

AASB 7.39(a)

AASB 7.B11

	<b>Current</b>		<b>Non-current</b>	
	<b>Within 6 months</b>	<b>6 - 12 months</b>	<b>1 - 5 years</b>	<b>5+ years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>31 December 2017</b>				
US-Dollar loans	289	289	1,781	8,508
Other bank borrowings	3,124	-	-	-
Non-convertible bond	208	208	9,303	-
Finance lease obligations	363	363	1,432	4,072
Trade and other payables	6,590	-	-	-
<b>Total</b>	<b>10,574</b>	<b>860</b>	<b>12,516</b>	<b>12,580</b>

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

In assessing and managing liquidity risks of its derivative financial instruments, the Group considers both contractual inflows and outflows. As at 31 December 2018, the contractual cash flows of the Group's derivative financial assets and liabilities are as follows:

AASB 7.39(b)

AASB 7.B11

	<b>Current</b>	
	<b>1 to 6 months</b>	<b>6 to 12 months</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>31 December 2018</b>		
Gross settled forward contracts:		
• cash outflow	(212)	(6,978)
• cash inflow	300	7,509
<b>Total</b>	<b>88</b>	<b>531</b>

AASB 7.34(a)

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

AASB 7.39(b)

AASB 7.B11

	1 to 6 months	Current 6 to 12 months
	\$'000	\$'000
<b>31 December 2017</b>		
Gross settled forward contracts:		
• cash outflow	(190)	(7,100)
• cash inflow	203	7,050
<b>Total</b>	<b>13</b>	<b>(50)</b>

Derivative financial instruments reflect forward exchange contracts (see Note 13.7) that will be settled on a gross basis.

## 36 Fair value measurement

### 36.1 Fair value measurement of financial instruments

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

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

**Level 3:** Unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2018 and 31 December 2017:

AASB 13.93(a)-(b)

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>31 December 2018</b>				
<b>Financial assets</b>				
Listed equity securities	975	-	-	975
Unlisted equity securities - XY limited	-	-	198	198
Corporate bonds	178	-	-	178
Other short-term financial assets	655	-	-	655
US-Dollar forward contracts - cash flow hedge	-	467	-	467
GBP forward contracts - Cash flow hedge	-	134	-	134

AASB 13.94

AASB 13.93(a)-(b)

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Other forward exchange contracts - held-for-trading	-	115	-	115
<b>Total assets</b>	<b>1,808</b>	<b>716</b>	<b>198</b>	<b>2,722</b>
<b>Financial liabilities</b>				
Contingent consideration	-	-	(620)	(620)
<b>Net fair value</b>	<b>1,808</b>	<b>716</b>	<b>(422)</b>	<b>2,102</b>

AASB 13.93(a)-(b)

AASB 13.94

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>31 December 2017</b>				
<b>Financial assets</b>				
Listed equity securities	343	-	-	343
Unlisted equity securities - XY limited	-	-	433	433
GBP forward contracts - cash flow hedge	-	230	-	230
Corporate bonds	1,915	-	-	1,915
Other short-term financial assets	649	-	-	649
Other forward exchange contracts - held-for-trading	-	212	-	212
<b>Total assets</b>	<b>2,907</b>	<b>442</b>	<b>433</b>	<b>3,782</b>
<b>Financial liabilities</b>				
Contingent consideration	-	(160)	-	(160)
<b>Net fair value</b>	<b>2,907</b>	<b>282</b>	<b>433</b>	<b>3,622</b>

AASB 13.93(c)

There were no transfers between Level 1 and Level 2 in 2018 or 2017.

#### Measurement of fair value of financial instruments

AASB 13.93(d)  
AASB 13.93(g)

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

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

### Foreign currency forward contracts (Level 2)

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

### Contingent consideration (Level 3)

AASB 13.93(d)  
AASB 13.93(h)

The fair value of contingent consideration related to the acquisition of Goodtech (see Note 32.1) is estimated using a present value technique. The \$620,000 fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 4.4%. The probability-weighted cash outflows before discounting are \$655,000 and reflect the management's estimate of a 50% probability that the contract's target level will be achieved. The discount rate used is 4.4%, based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

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

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

### Investment in XY Limited (Level 3) –

The fair value of this investment was determined based on an appropriate equity pricing model that takes into account the investee's dividend policy and its historical and expected future performance and based on an appropriate growth factor for a similar listed entity and a risk adjusted discount rate.

### Level 3 fair value measurements

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

	Contingent consideration	
	2018	2017
	\$'000	\$'000
AASB 13.93(e)	<b>Balance at 31 December 2017</b>	-
AASB 13.93(e)(iii)	Acquired through business combination	(600)
AASB 13.93(e)(i)	Losses recognised in profit or loss under:	
	• finance costs	(20)
	<b>Balance at 31 December 2018</b>	<b>(620)</b>
AASB 13.93(f)	Total amount included in profit or loss for unrealised losses on Level 3 instruments under finance costs	(20)

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

AASB 13.97

See Notes 13.2 and 13.6.



## 36.2 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2018:

	Level 1	Level 2	Level 3	Total
AASB 13.93(a)-(b)	\$'000	\$'000	\$'000	\$'000
<b>31 December 2018</b>				
AASB 13.94	<b>Property, plant and equipment:</b>			
• land held for production in Australia	-	-	7,979	7,979
• Goodtech land	-	-	730	730
<b>Investment property</b>				
• Office building in Australia	-	-	4,552	4,552
• Goodtech investment property	-	-	75	75
• Office building in US	-	-	8,035	8,035

	Level 1	Level 2	Level 3	Total
AASB 13.93(a)-(b)	\$'000	\$'000	\$'000	\$'000
<b>31 December 2017</b>				
AASB 13.94	<b>Property, plant and equipment:</b>			
• land held for production in Australia	-	-	7,697	7,697
• Goodtech land	-	-	-	-
<b>Investment property</b>				
• Office building in Australia	-	-	4,366	4,366
• Office building in US	-	-	7,911	7,911

AASB 13.93(d)  
AASB 140.75(e)

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

Further information is set out below.

### Land held for production in Australia (Level 3)

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

The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use. In 2018, a negative adjustment of 7.5% was incorporated for these factors. The land was revalued on 23 November 2018. The land was previously revalued in November 2016.

AASB 13.93(h)

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

AASB 13.93(d)

Land with a fair value of \$730,000, recognised upon the acquisition of Goodtech in March 2018 (see Note 32.1), was not revalued at the reporting date. Management determined that the effect of changes in fair values between the acquisition and reporting date is immaterial.

### Office buildings in Australia and the US (Level 3)

AASB 13.93(d)

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

AASB 13.93(h)

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three (3) assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 31 December 2018 were:

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

AASB 13.93(h)

An investment property with a fair value of \$75,000, recognised upon the acquisition of Goodtech (see Note 32.1) in September 2018, was not revalued at the reporting date. Management determined that the effect of changes in fair values between the acquisition and reporting date is immaterial.

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

AASB 7.39(a), AASB 7.B11

	PP&E	Investment properties	
	Land held for production	Australia	United States
	\$'000	\$'000	\$'000
AASB 13.93(e)	<b>Balance at 1 January 2018</b>	<b>7,697</b>	<b>7,911</b>
AASB 13.93(e)(i)	Gains recognised in profit or loss		
	• increase in fair value of investment property	-	124
AASB 13.93(e)(ii)	Gains recognised in other comprehensive income:		
	• revaluation of land	303	-
	• exchange differences on translating foreign operations	(21)	-

AASB 7.39(a), AASB 7.B11		PP&E	Investment properties	
		Land held for production	Australia	United States
		\$'000	\$'000	\$'000
AASB 13.93(e)(iii)	Acquired in business combination	730	75	-
	<b>Balance at 31 December 2018</b>	<b>8,709</b>	<b>4,627</b>	<b>8,035</b>
AASB 13.93(f)	Total amount included in profit or loss for unrealised gains on Level 3 assets	-	186	124

AASB 7.39(a), AASB 7.B11		PP&E	Investment properties	
		Land held for production	Australia	United States
		\$'000	\$'000	\$'000
AASB 13.93(e)	<b>Balance at 1 January 2017</b>	<b>7,697</b>	<b>4,293</b>	<b>7,809</b>
AASB 13.93(e)(i)	Gains recognised in profit or loss			
	• increase in fair value of investment property	-	73	102
AASB 13.93(e)(ii)	Gains recognised in other comprehensive income:			
	• revaluation of land	-	-	-
	• exchange differences on translating foreign operations	-	-	-
	<b>Balance at 31 December 2017</b>	<b>7,697</b>	<b>4,366</b>	<b>7,911</b>
AASB 13.93(f)	Total amount included in profit or loss for unrealised gains on Level 3 assets	-	73	102

## 37 Capital management policies and procedures

AASB 101.134

The Group's capital management objectives are:

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

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

AASB 101.135(a)(i)

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

AASB 101.135(a)(ii)

The Group's goal in capital management is to maintain a capital-to-overall financing ratio of 1:6 to 1:4. This is in line with the Group's covenants resulting from the subordinated loan it has taken out from its main shareholder in 2015.

AASB 101.135(a)(iii)

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the

underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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

AASB 101.135(b)

	2018	2017
	\$'000	\$'000
Total equity	87,140	52,746
Subordinated loan	5,000	5,000
Cash flow hedges	(467)	160
Cash and cash equivalents	(34,729)	(11,197)
<b>Capital</b>	<b>56,944</b>	<b>46,709</b>
Total equity	87,140	52,746
Borrowings	25,815	24,644
<b>Overall financing</b>	<b>112,955</b>	<b>77,390</b>
<b>Capital-to-overall financing ratio</b>	<b>0.50</b>	<b>0.60</b>

AASB 101.135(d)

The Group has honoured its covenant obligations, including maintaining capital ratios, since the subordinated loan was taken out in 2015. The ratio reduction during 2018 is primarily a result of financing the acquisition of Goodtech (see Note 32.1).

## 38 Parent entity information

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

	2018	2017
	\$'000	\$'000
<b>Statement of financial position</b>		
Current assets	56,816	40,220
<b>Total assets</b>	<b>96,751</b>	<b>96,153</b>
Current liabilities	5,942	11,784
<b>Total liabilities</b>	<b>41,355</b>	<b>54,015</b>
Net assets	55,396	42,138
Issued capital	13,770	12,000
Retained earnings	40,480	29,314
Asset revaluation reserve	800	689
Available for sale reserve	98	35
Cash flow hedge reserve	248	100

	2018 \$'000	2017 \$'000
<b>Total equity</b>	<b>55,396</b>	<b>42,138</b>
<b>Statement of profit or loss and other comprehensive income</b>		
Profit for the year	11,166	9,457
Other comprehensive income	322	258
<b>Total comprehensive income</b>	<b>11,488</b>	<b>9,715</b>

The Parent Entity has capital commitments of \$1.1m to purchase plant and IT equipment (2017: \$Nil). Refer to Note 30 for further details of the commitment.

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

## 39 Post-reporting date events

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

# Directors' Declaration

- CA 295(4) 1 In the opinion of the Directors of Grant Thornton CLEARR Example Ltd:
- a The consolidated financial statements and notes of Grant Thornton CLEARR Example Ltd are in accordance with the *Corporations Act 2001*, including:
- CA 295(4)(d)(ii) i Giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and
- CA 295(4)(d)(i) ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- CA 295(4)(c) b There are reasonable grounds to believe that Grant Thornton CLEARR Example Ltd will be able to pay its debts as and when they become due and payable.;
- CA 295(4)(e))  
ASIC PN22 2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2018.
- CA 295(4)(ca) 3 Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.
- CA 295(5)(a) Signed in accordance with a resolution of the Directors.

CA 295(5)(c) Director  
Blake Smith

CA 295(5)(b) Dated the 28th day of February 2019

# Independent Auditor's Report

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

# ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 28 February 2019.

## Substantial shareholders

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

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

## Voting rights

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

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

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



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

#### Unissued equity securities

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

#### Securities exchange

The Company is listed on the Australian Securities Exchange.

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

AASB 101.99

AASB 101.99 allows a 'statement of profit or loss' format analysing expenses using a classification based on either the Nature of Expenses (NOE) or based on the Function of Expenses (FOE) within the entity. This depends on management's assessment of which format provides information that is reliable and more relevant.

The NOE format is illustrated in the main body of the **Example Financial Statements**. The FOE format is illustrated in this Appendix. The example shows the 'statement of profit or loss' separately, i.e. Other Comprehensive Income (OCI) shall be shown in addition to the statement of profit or loss in a statement of comprehensive income (see the example in Appendix B).

If the entity shows the statement of profit or loss and other comprehensive income in one statement (see the main body of the **Example Financial Statements**), the FOE format included in this Appendix may replace the NOE format that is part of the statement of profit or loss and other comprehensive income.

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

AASB 101.104

Presenting the statement of profit or loss in the FOE format requires additional considerations:

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

In addition, when an entity includes the analysis of profit or loss from discontinued operation in the notes to the financial statements (see Note 10); such information should be presented in the same format as the main statement of profit or loss. This will facilitate a better understanding of the financial effects of the discontinued operations.

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
AASB 101.51(c)			
AASB 101.51(c-e)			
AASB 101.82(a)	<b>Revenue</b>	<b>205,793</b>	<b>191,228</b>
AASB 101.85	Costs of sales	(110,526)	(103,918)
AASB 101.85	<b>Gross profit</b>	<b>95,267</b>	<b>87,310</b>
AASB 101.85	Other income	299	708
AASB 101.85	Distribution costs	(12,014)	(11,537)
AASB 101.85	Administrative expenses	(48,054)	(46,147)
AASB 101.85	Research and development costs	(1,690)	(1,015)
AASB 101.85	Changes in fair value of investment property	310	175
AASB 101.85	Other expenses	(12,270)	(12,611)
		<b>21,848</b>	<b>16,883</b>
AASB 101.82(c)	Share of profit from equity accounted investments	391	141
AASB 101.82(b)	Finance costs	(1,701)	(1,908)
AASB 101.85	Finance income	1,224	885
AASB 101.85	Other financial items	943	1,182
	<b>Profit before tax</b>	<b>22,705</b>	<b>17,183</b>
AASB 101.82(d)	Tax expense	(6,794)	(4,888)
	<b>Profit for the year from continuing operations</b>	<b>15,911</b>	<b>12,295</b>
AASB 101.82(e)	Loss for the year from discontinued operations	(9)	(325)
AASB 101.82(f)	<b>Profit for the year</b>	<b>15,902</b>	<b>11,970</b>
	<b>Profit for the year attributable to:</b>		
AASB 101.83(a)(i)	• non-controlling interest	121	116
AASB 101.83(a)(ii)	• owners of the parent	15,781	11,854
		<b>15,902</b>	<b>11,970</b>

	Notes	2018 \$'000	2017 \$'000
	<b>Earnings per share</b>		
	25		
AASB 133.67A	Basic earnings per share		
AASB 133.66	Earnings from continuing operations	1.27	1.02
AASB 133.68	Loss from discontinued operations	(0.00)	(0.03)
AASB 133.66	<b>Total</b>	<b>1.27</b>	<b>0.99</b>
AASB 133.68A	<b>Diluted earnings per share</b>		
AASB 133.66	Earnings from continuing operations	1.27	1.02
AASB 133.68	Loss from discontinued operations	(0.00)	(0.03)
AASB 133.66	<b>Total</b>	<b>1.27</b>	<b>0.99</b>

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

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

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

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

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

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

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

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

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

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

The main body in these **Example Financial Statements** presents the statement of cash flows using the direct method.

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

# Appendix D: Additional Disclosures for Mining Exploration Companies

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

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

## Interests in joint arrangements

### Joint operation

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

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

### Joint venture

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

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

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

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

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

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

## Mineral exploration, evaluation and development expenditure

### Exploration and evaluation costs

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

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

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

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



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

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

### Mine properties

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

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

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

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

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

### Inventories

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

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

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

## Rehabilitation provision

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

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

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

## Revenue recognition

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

### Gold bullion sales

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

### Base metal concentrate sales

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

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

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

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

## Stripping costs

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

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for the costs of that stripping activity in accordance with the principles of AASB 102

*Inventories.* To the extent the benefit is improved access to ore, the Group recognises these costs as a non-current asset provided that:

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

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

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

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

## Significant management judgements in applying Accounting Policies

### Estimation uncertainty

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

### Mine rehabilitation provision

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

### Ore reserve and resource estimates

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

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

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

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

#### **Units-of-production depreciation**

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

#### **Exploration and evaluation expenditure**

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

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

#### **Inventories**

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

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

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

#### **Interests in joint ventures**

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

## Exploration and evaluation assets

	\$'000
<b>Cost as 1 January 2017</b>	
Additions	
Exploration expenditure written off	
Transfer to mine properties	
<b>Cost as at 31 December 2017</b>	
Additions	
Exploration expenditure written off	
Transfer to mine properties	
<b>Cost as at 31 December 2018</b>	
	\$'000
<b>Provision for impairment as at 1 January 2017</b>	
Impairment charge for the year	
Reversal of previously booked impairments	
<b>Provision for impairment as at 31 December 2017</b>	
Impairment charge for the year	
Reversal of previously booked impairments	
<b>Provision for impairment as at 31 December 2018</b>	
	\$'000
<b>Net book value as at 31 December 2017</b>	
<b>Net book value as at 31 December 2018</b>	

Exploration and evaluation expenditure immediately expensed to 'other expenses' in profit or loss amount to \$XX million (2017: \$XX million).

## Mine properties

	Mines	Deferred Stripping	Total
	\$'000	\$'000	\$'000
<b>Cost as at 1 January 2017</b>			
Additions			
Transferred from exploration and evaluation assets			
Change in rehabilitation provision			
Disposals			
<b>Cost as at 31 December 2017</b>			
Additions			
Transferred from exploration and evaluation assets			
Change in rehabilitation provision			
Disposals			
<b>Cost as at 31 December 2018</b>			
	Mines	Deferred Stripping	Total
	\$'000	\$'000	\$'000
<b>Depletion and impairment as at 1 January 2017</b>			
Charge for the year			
Provision for impairment			
Disposals			
<b>Depletion and impairment as at 31 December 2017</b>			
Charge for the year			
Provision for impairment			
Disposals			
<b>Depletion and impairment as at 31 December 2018</b>			
	Mines	Deferred Stripping	Total
	\$'000	\$'000	\$'000
<b>Net book value as at 31 December 2017</b>			
<b>Net book value as at 31 December 2018</b>			

## Inventories

	2018	2017
	\$'000	\$'000
At cost:		
• gold bullion		
• base metals concentrate		
• metal in circuit		
• ore stockpiles		
• materials and supplies		
<b>Total inventories</b>		

## Provisions

	Rehabilitation	Other	Total
	\$'000	\$'000	\$'000
<b>At 1 January 2018</b>			
Arising during the year			
Write-back of unused provisions			
Disposals			
Unwinding of discount			
Utilisation			
<b>At 31 December 2018</b>			

## Comprising

	Rehabilitation	Other	Total
	\$'000	\$'000	\$'000
Current 2018			
Non-current 2018			
	Rehabilitation	Other	Total
	\$'000	\$'000	\$'000
Current 2017			
Non-current 2017			

## Rehabilitation provision

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



# Appendix E: Summary of Director's Report Requirements

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

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

	Description	Listed public companies	Listed registered schemes	Unlisted registered schemes	Companies limited by guarantee	Unlisted public companies (other than limited by guarantee)	Other disclosing entities	Proprietary companies <sup>11</sup>
CA 298(1AA)(c)	Copy of the Auditor's Independence Declaration under section 307C	•		•	•	•	•	•
CA 298(1AB)(b)	Details regarding additional information to give a true and fair view under section 295(3)(c)	•		•		•	•	•
CA 298(1A)	Review of operations and results of those operations	•		•		•	•	•
CA 299(1)(a)	Details of any significant changes in the state of affairs	•		•		•	•	•
CA 299(1)(b)	Details of principal activities and any significant changes in those activities	•		•		•	•	•
CA 299(1)(c)	Details of events after the end of financial year	•		•		•	•	•
CA 299(1)(d)	Likely developments in future financial years and expected results	•		•		•	•	•
CA 299(1)(e)	Details of performance in relation to environmental regulation	•		•		•	•	•
CA 299(1)(f)	Exclusion of prejudicial information on future developments and results	•		•		•	•	•
CA 299(3)	Information on the operations, financial position and business strategies and prospects	•	•					
CA 299A(1)	Exclusion of prejudicial information on likely future developments and expected results	•	•					

<sup>11</sup> Directors' Report is not required for a small proprietary company where it prepares financial statements to satisfy a shareholder direction (section 293) and that direction specifies that a Directors' report is not required.

	Description	Listed public companies	Listed registered schemes	Unlisted registered schemes	Companies limited by guarantee	Unlisted public companies (other than limited by guarantee)	Other disclosing entities	Proprietary companies <sup>11</sup>
	Dividends or distributions paid	•		•		•	•	•
CA 299A(3)	Dividends or distributions recommended or declared but not paid	•		•		•	•	•
	Names of Directors and periods of Directorship	•		•	•	•	•	•
CA 300(1)(a)	Details of officers who are former Audit Partners or Directors	•		•		•	•	•
CA 300(1)(d),(3),(5)	Options granted over unissued shares or interests to any Director or any of the five most highly remunerated officers	•	•	•		•	•	•
CA 300(1)(e),(3),(6)	Details of unissued shares or interests under option at the day of the report	•	•	•		•	•	•
CA 300(1)(f),(3),(7)	Details of shares or interests issued as a result of the exercise of options	•	•	•		•	•	•
CA 300(1)(g),(8),(9)	Details of indemnity given, or insurance premium paid or agreed to be paid, for officers or auditors	•	•	•		•	•	•
CA 300(10)(a), CA 300B(3)(b)	Details of Directors, including qualifications, experience and responsibilities	•			•	•		
CA 300(10)(b),(c), CA 300B(3)(c)	Details of Directors' meeting attendance	•			•	•		
CA 300(10)(d)	Details of Company Secretary's qualifications and experience	•				•		
CA 300(11)(a)-(d)	Details of Directors' interests in shares, debentures and registered schemes, including options and rights	•						
CA 300(12)	Details of Directors' interests in a registered scheme, including options and rights		•					
CA 300(11)(e)	Details of Directorships of other listed companies held by the Directors at any time in the last years	•						

	Description	Listed public companies	Listed registered schemes	Unlisted registered schemes	Companies limited by guarantee	Unlisted public companies (other than limited by guarantee)	Other disclosing entities	Proprietary companies <sup>11</sup>
CA 300(11A)	Details of any ASIC declaration under section 324DAA	•						
CA300(2A),(11B),(11C),(11D)	Details of any non-audit services and related statements by Directors	•						
CA 300A, Reg 2M.3.03	Remuneration report	•						
CA 300(13)(a)	Details of any fees paid to the responsible entity and associates out of scheme property			•				
CA 300(13)(b)	Number of interests in the scheme held by responsible entity and associates		•	•				
CA 300(13)(c)	Interests in the scheme issued during the financial year		•	•				
CA 300(13)(d)	Withdrawals from the scheme during the financial year		•	•				
CA 300(13)(e)	Value of the scheme's assets and the basis for the valuation		•	•				
CA 300(13)(f)	Number of interests in scheme at the end of the financial year		•	•				
CA 300(14),(15)	Details of any application for leave of court to bring proceedings on behalf of Company	•					•	•
CA 300B(1)(a)	A description of the short-term and long-term objectives				•			
CA 300B(1)(b)	Details of the entity's strategy for achieving short-term and long-term objectives				•			
CA 300B(1)(c),(d)	Details of principal activities during the year and how such activities assisted in achieving the entity's objectives				•			
CA 300B(1)(e)	Details of how the entity measures its performance, including any key performance indicators				•			
CA 300B(3)(d)	For each class of membership, the amount which a member of that class is liable to contribute on winding up				•			

Description		Listed public companies	Listed registered schemes	Unlisted registered schemes	Companies limited by guarantee	Unlisted public companies (other than limited by guarantee)	Other disclosing entities	Proprietary companies <sup>11</sup>
CA 300B(3)(e)	Total amount that members are liable to contribute on winding up				•			
ASIC Corporations Instruments 2016/191	Statement regarding rounding of amounts in the Directors' Report and financial report	•	•	•	•	•	•	•



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