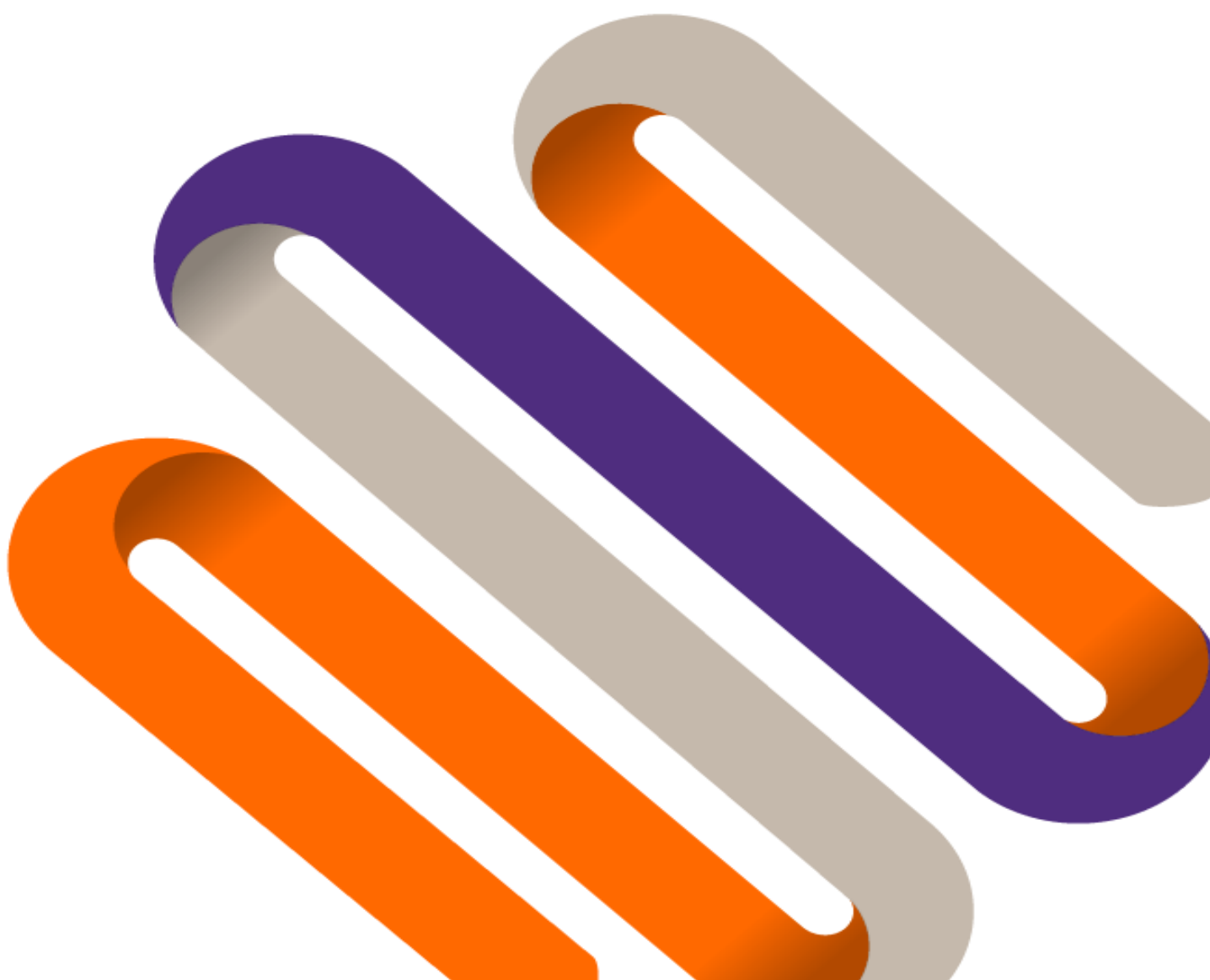


Example reduced disclosure requirements financial statements

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



Foreword

Welcome to the December 2018 edition of the example reduced disclosure requirements 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 company complying with reduced disclosure requirements. It is based on the activities and results of a fictitious IT entity, Grant Thornton CLEARR RDR Example Pty 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 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

Contents

Foreword	i
Directors Report	1
Auditor's Independence Declaration	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Notes to the Consolidated Financial Statements	19
1 General Information and statement of compliance	19
2 Changes in accounting policies	19
3 Summary of accounting policies	27
4 Revenue	49
5 Finance costs and finance income	51
6 Other financial items	53
7 Income tax expense	53
8 Assets and disposal groups classified as held for sale and discontinued operations	54
9 Cash and cash equivalents	55
10 Trade and other receivables	55
11 Financial assets and liabilities	57
12 Inventories	65
13 Investments accounted for using the equity method	65
14 Property, plant and equipment	66
15 Investment property	67
16 Deferred tax assets and liabilities	68
17 Goodwill	70
18 Other intangible assets	70
19 Trade and other payables	71
20 Provisions	72
21 Employee remuneration	73
22 Contract and other liabilities	79
23 Equity	80
24 Non-cash investing and financing activities	83
25 Related party transactions	83
26 Contingent liabilities	84
27 Acquisitions and disposals	84
28 Interests in subsidiaries	86
29 Leases	87
30 Fair value measurement	88

Contents

31	Parent entity information	90
32	Post-reporting date events	91
	Directors' Declaration	92
	Independent Auditor's Report	93

Directors Report

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

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

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; and
- 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)

The Group is a key participant in the IT and telecommunications services market, holding a market share of approximately 35%.

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.

Additional capital raising activities were undertaken during the year which raised \$16.7m and allowed the Group to fund the Goodtech acquisition via a cash settlement as well as positioning the Group in a strong cash position for 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:

- 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
- 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
- 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

CA 299(1)(e)

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.
- 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.

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
Total under option			219,924

All options expire on the earlier of their expiry date or termination of the employee's employment. These options were issued under either the Star or Stay Program (described in Note 21.2 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

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.

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 6 of this financial report and forms part of this Directors' Report.

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.

Rounding of amounts

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

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

CA 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

Grant Thornton Audit Pty Ltd
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Sydney, NSW
2000
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Auditor's Independence Declaration

To the Directors of Grant Thornton CLEARR RDR Example Pty Ltd

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

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

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

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Guidance Note: Statement of Profit or Loss and Other Comprehensive Income

The statement of profit or loss and other comprehensive income has been prepared in accordance with AASB 101 *Presentation of Financial Statements*. The statement of profit or loss and other comprehensive income may be presented in one of the following ways:

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

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

This statement of profit or loss and other comprehensive income format illustrates an example of the 'nature of expense method'. See Appendix A of our **Example Listed Public Financial Statements** 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 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.

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	4	205,793
AASB 101.85	Other income	299	708
AASB 101.85	Changes in inventories	(7,923)	(6,815)
AASB 101.85	Costs of material	(42,535)	(39,420)
AASB 101.85	Employee benefits expense	21	(113,809)
AASB 101.85	Change in fair value of investment property	15	310
AASB 101.85	Depreciation of property, plant and equipment	14	(2,735)
AASB 101.85	Amortisation of intangible assets	18	(3,528)
	Impairment of goodwill	17	(799)
AASB 101.85	Impairment of other intangible assets	18	(870)
AASB 101.85	Other expenses	(12,191)	(12,437)
	Impairment gains (losses) of financial assets	(164)	(575)
		21,848	16,533
AASB 101.82(c)	Share of net profit from associates and joint ventures accounted for using the equity method	391	141
AASB 101.82(b)	Finance costs	5	(1,701)
AASB 101.85	Finance income	5	1,224
AASB 101.85	Other financial items	6	943
	Profit before income tax	22,705	17,183
AASB 101.82(d)	Income tax expense	7	(6,794)
	Profit for the year from continuing operations	15,911	12,295
AASB 101.82(ea)	Loss for the year from discontinued operations	(9)	(325)
AASB 101.82(f)	Profit for the year	15,902	11,970

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
AASB.101.82(g)	Other comprehensive income		
AASB 101.82A	<i>Items that will not be reclassified subsequently to profit or loss:</i>		
	Equity instruments at FVOCI - fair value changes	11	(35)
AASB.116.77(f)	Revaluation of land	14	303
AASB 119.120(c)	Re-measurement of net defined liability	22	3,830
AASB 101.91	Income tax on items that will not be reclassified to profit or loss	23	(1,240)
AASB 101.82A	<i>Items that may be reclassified subsequently to profit or loss</i>		
	Cash flow hedging:	11	
AASB 7.23(c-d)	• current year gains / (losses)	890	540
AASB 101.92	• reclassification to profit or loss	(640)	(712)
	Debt instruments at FVOCI	11	
	current year gains/(losses)	35	-
	reclassification to profit or loss	-	-
	Available-for-sale financial assets:	11	
AASB 7.20(a)(ii)	• current year gains / (losses)	-	(22)
AASB 101.92	• reclassification to profit or loss	-	-
AASB 121.52(b)	Exchange differences on translating foreign operations	(664)	(341)
AASB 101.82(h)	Share of other comprehensive income of equity accounted investments	2	-
AASB 101.91	Income tax on items that may be reclassified to profit or loss	23	176
	Other comprehensive income for the period, net of income tax	2,657	(2,919)
AASB 101.82(i)	Total comprehensive income for the period	18,559	9,051
	Profit for the year attributable to:		
AASB 101.83(a)(i)	• non-controlling interest	121	116
AASB 101.83(a)(ii)	• owners of the parent	15,781	11,854
		18,902	11,970
	Total comprehensive income attributable to:		
AASB 101.83(b)(i)	• non-controlling interest	121	-
AASB 101.83(b)(ii)	• owners of the parent	18,438	8,935
		18,559	9,051

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.

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

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 \$'000	2017 \$'000
AASB 101.51(c-e)	Assets		
AASB 101.60, AASB 101.66	Current		
AASB 101.54(i)	Cash and cash equivalents	9	34,729
AASB 101.54(h)	Trade and other receivables	10	32,720
AASB 15.105	Contract assets	4	109
AASB 101.55	Other assets	4	297
AASB 101.54(g)	Inventories	12	18,298
AASB 101.55	Derivative financial instruments	11	716
AASB 101.54(d)	Other short-term financial assets	11	655
		87,524	54,920
AASB 101.54(j)	Assets and disposal group classified as held for sale	8	103
AASB 101.60	Total current assets	87,627	58,828
AASB 101.60, AASB 101.66	Non-current		
AASB 101.54(e), AASB 128.38	Investments accounted for using the equity method	13	860
AASB 101.54(a)	Property, plant and equipment	14	22,199
AASB 101.54(b)	Investment property	15	12,662
AASB 101.54(o), AASB 101.56	Deferred tax assets	16	-
AASB 101.57	Goodwill	17	5,041
AASB 101.54(c)	Other intangible assets	18	17,424
AASB 15.105	Contract assets	4	185
AASB 101.54(d)	Other financial assets	11	4,051
AASB 101.60	Total non-current assets	62,422	55,304
	Total assets	150,049	114,132

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

Consolidated Statement of Financial Position (continued)

As at 31 December 2018

		Notes	2018 \$'000	2017 \$'000
AASB 101.51(c-e)	Liabilities			
AASB 101.60, AASB 101.69	Current			
AASB 101.54(k)	Trade and other payables	19	9,009	7,056
AASB 101.54(m)	Borrowings	11	4,815	3,379
AASB 101.54(m)	Derivative financial instruments	11	-	160
AASB 101.54(l)	Provisions	20	1,215	3,345
AASB 101.55	Employee benefits	21	1,467	1,496
AASB 101.54(n)	Current tax liabilities		4,174	930
AASB 15.105	Contract liability	22	2,123	2,291
AASB 101.55	Other liabilities	22	641	1,184
			23,444	19,841
AASB 101.54(p)	Liabilities included in disposal group held for sale	8	-	449
AASB 101.55	Current liabilities		23,444	22,290
AASB 101.60, AASB 101.69	Non-current			
AASB 101.54(k)	Trade and other payables	19	4,060	4,459
AASB 101.54(m)	Borrowings	11	21,070	21,265
AASB 101.55	Employee benefits	21	10,386	13,642
AASB 101.54(o), AASB 101.56	Deferred tax liabilities	16	1,903	-
AASB 101.55	Other liabilities	22	2,014	1,500
AASB 101.55	Total non-current liabilities		39,433	40,866
AASB 101.55	Total liabilities		62,877	61,156
AASB 101.55	Net assets		87,172	52,976
	Equity			
	Equity attributable to owners of the parent:			
AASB 101.54(r)	Share capital		33,415	15,050
AASB 101.54(r)	Share option reserve		764	466
AASB 101.55	Other components of equity	23	2,265	(414)
AASB 101.54(r)	Retained earnings		50,015	37,282
			86,459	52,384
AASB 101.54(q)	Non-controlling interest		713	592
AASB 101.55	Total equity		87,172	52,976

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:

- 1 In the statement of changes in equity, or
- 2 In the notes to the financial statements (AASB 101.106(d)(ii) and AASB 101.106a).

These **Example Financial Statements** present the reconciliations for each component of other comprehensive income in the notes to the financial statements. This reduces duplicated disclosures and presents a clearer picture of the overall changes in equity.

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)		15,050	-	2,505	25,363	42,918	476	43,394
AASB 101.106(b)	2.1	-	-	-	65	65	-	65
AASB 101.106(d)		15,050	-	2,505	25,428	42,983	476	43,459
	21	-	466	-	-	466	-	466
AASB 101.106(d)(iii)		-	466	-	-	466	-	466
AASB 101.106(d)(i)		-	-	-	11,839	11,839	116	11,955
		-	-	-	15	15	-	15
		-	-	-	11,854	11,854	116	11,970
AASB 101.106A	23	-	-	(2,919)	-	(2,919)	-	(2,919)
		-	-	(2,919)	11,854	8,935	116	9,051
AASB 101.106(d)		15,050	466	(414)	37,282	52,384	592	52,976
AASB 101.106(d)		15,050	466	(414)	37,282	52,384	592	52,976
	2.2	-	-	22	(47)	(25)	-	(25)
	2.2	-	-	-	(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)								
Adjusted balance at 1 January 2018		15,050	466	(392)	37,234	52,358	592	52,950
Dividends		-	-	-	(3,000)	(3,000)	-	(3,000)
Issue of share capital under share-based payment	23	1,685	-	-	-	1,685	-	1,685
Employee share-based payment options	21	-	298	-	-	298	-	298
Issue of share capital	23	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	23	-	-	2,657	-	2,657	-	2,657
Total comprehensive income		-	-	2,657	15,781	18,438	121	18,559
AASB 101.106(d)								
Balance at 31 December 2018		33,415	764	2,265	50,015	84,459	713	87,172

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			
Operating activities			
Receipts from customers		205,909	191,751
Payments to suppliers and employees		(177,972)	(166,020)
Income taxes paid		(1,948)	(5,588)
Net cash from continuing operations		25,989	20,143
Net cash (used in) / from discontinued operations	8	(22)	811
Net cash from operating activities		25,967	20,954
AASB 107.10			
Investing activities			
Purchase of property, plant and equipment		(76)	(3,281)
Proceeds from disposals of property, plant and equipment		86	-
Purchase of other intangible assets		(3,666)	(3,235)
Proceeds from disposals of other intangible assets		924	-
Acquisition of subsidiaries, net of cash acquired	27	(15,491)	(12,075)
Proceeds from sale of subsidiaries, net of cash disposed of	27	3,117	-
Proceeds from disposals and redemptions of non-derivative financial assets			
Interest received	5	752	447
Dividends received	5	62	21
Taxes paid		(467)	(140)
Net cash used in investing activities		(14,531)	(18,131)
AASB 107.10			
Financing activities			
Proceeds from bank loans		1,441	-
Repayment of bank loans		(3,778)	(649)
Proceeds from issue of share capital		18,365	-
Interest paid	5	(1,015)	(985)
Dividends paid		(3,000)	-
Net cash from / (used in) financing activities		12,013	(1,634)

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

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2018

	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	8	(22)
AASB 107.45	Cash and cash equivalents, end of year	34,729	11,197

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

Notes to the Consolidated Financial Statements

1 General Information and statement of compliance

AASB 127.12
AASB 127.43(a)

The financial report includes the consolidated financial statements and notes of Grant Thornton CLEARR RDR Example Pty Ltd and Controlled Entities (Consolidated Group or Group).

AASB 10.112(a)

The Group has elected to adopt the Australian Accounting Standards - Reduced Disclosure Requirements established by AASB 1053 *Application of Tiers of Australian Accounting Standards*.

AASB 1054.RDR7.1
AASB 1054.8
AASB 1054.9

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

AASB 101.51(c)
AASB 110.17

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

2 Changes in accounting policies

2.1 Correction of prior period error

AASB 108.28

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	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)
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)
Total equity	(52,896)	(80)	(52,976)	(43,394)	(65)	(43,459)

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)
Profit before income tax	17,162	21	17,183
Income tax expense	(4,882)	(6)	(4,888)
Loss from discontinued operation	(325)	-	(325)
Profit for the period	11,955	15	11,970
Other comprehensive income	(2,919)	-	(2,919)
Total comprehensive income for the period	9,036	15	9,051

2.2 New standards adopted as at 1 January 2018¹

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 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.

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

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 totalling 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)
Profit for the year	15,820	82	15,902
Total comprehensive income for the year	18,477	82	18,559

Statement of Financial Position (Extract)	Amounts under AASB 118 & 111	Adjustments	Amounts under AASB 15
	\$'000	\$'000	\$'000
Current Assets			
Trade and other receivables	32,990	(270)	32,720
Inventories	18,112	186	18,298
Non-current Assets			
Prepayment and other assets	-	406	406
Total Assets	149,727	322	150,049
Current Liabilities			
Current tax liabilities	4,314	(140)	4,174
Non-current Liabilities			
Trade and other payables	8,939	70	9,009
Total Liabilities	62,947	(70)	62,877
Equity			
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.

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:

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

	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
Assets						
Current financial assets						
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
Other short-term financial assets	13.4	FVPL	FVPL	649	-	649
Cash and cash equivalents	11	Amortised cost	Amortised cost	11,197	-	11,197
				35,729	(22)	35,707
Non-current financial assets						
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

	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
Unlisted equity securities - XY Ltd	13.6	Available for sale	Equity FVOCI	433	27	460
				3,880	(3)	3,877
Total financial asset balance				39,609	(25)	39,584
Liabilities						
Current financial liabilities						
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
				15,054	-	15,054
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
Fair value through profit or loss (FVPL)				
Closing balance 31 December 2017- AASB 139	861			
From available for sale (AFS) - listed equities		343		
Opening balance 1 January 2018 - AASB 9	861	343	-	1,204
Fair value through other comprehensive income (FVOCI) (including available for sale 2017)				
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	2,691	(343)	27	2,375
Held to maturity				
Closing balance 31 December 2017	1,189			
To amortised cost		(1,189)		
Opening balance 1 January 2018 - AASB 9	1,189	(1,189)	-	-
Amortised cost				
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	34,638	1,189	(52)	35,775

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

2.3 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 Summary of accounting policies

3.1 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.²

3.2 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 10.B88

² Disclosure of accounting policies shall reflect the facts and circumstances of the entity. In this set of Example Financial Statements the accounting policies reflect the activities of the fictitious entity, Grant Thornton CLEAR RDR Example Pty Ltd and Subsidiaries. The accounting policies should therefore, in all cases, be tailored to the facts and circumstances in place, which may prescribe that less extensive accounting policies are disclosed for the entity.

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.

3.3 Business combination

AASB 101.117(a)
AASB 101.117(b)

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

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

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

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

3.4 Investments in associates and joint arrangements

AASB 128.3

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

AASB 11.6

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.

3.5 Foreign currency translation

Functional and presentation currency

AASB 121.53
AASB 101.51(d)

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

Foreign currency transactions and balances

AASB 101.117(a)
AASB 101.117(b)

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

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

Foreign operations

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

On consolidation, assets and liabilities have been translated into Australian-Dollars (\$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 rate³ over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

3.6 Revenue

AASB 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)

AASB 118.35(a)

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

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

AASB 101.117(b)

Sale of goods (hardware or software)

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

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

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 they are redeemed by customers in exchange for products supplied by the Group.

AASB 101.117(b)

Rendering of services

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

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

The Group also earns rental income from operating leases of its investment properties (see Note 15). 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 contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date.

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

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

Interest and dividend income

AASB 118.30

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

3.7 Operating expenses

AASB 101.117(b)

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

3.8 Borrowing costs

AASB 101.117(b)

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

3.9 Profit or loss from discontinued operations

AASB 101.117(b)
AASB 5.32

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

- represents a separate major line of business or geographical area of operations
- is part of a single 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, is further analysed in Note 8.

AASB 5.34

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

3.10 Goodwill

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

3.11 Other intangible assets

AASB 138.118(a)
AASB 138.228(b)

Recognition of other intangible assets

Acquired intangible assets

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

Internally developed software

AASB 138.57

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

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

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

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

Employee (excluding Director) directly attributable costs include software incurred costs for development along with an appropriate portion of relevant overheads and borrowing costs.

Subsequent measurement

AASB 138.118(a)
AASB 138.118(b)

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

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

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

AASB 138.118(d)

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

AASB 101.117(b)

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

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

3.12 Property, plant and equipment

Land

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

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

Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss (see Note 3.14) has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income.

Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

AASB 116.73(b))

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

Buildings, IT equipment and other equipment

AASB 116.73(a)
AASB 101.117(a)

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

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

AASB 116.73(b)
AASB 116.73(c)

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

- buildings: 25-50 years
- IT equipment: 2-5 years
- other equipment: 3-12 years

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

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

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

3.13 Leased assets

AASB 101.117(a)
AASB 101.117(b)

Finance leases

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

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

Operating leases

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

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

AASB 101.117(b)

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

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

AASB 101.122
AASB 101.117(a)

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

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

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

3.15 Investment property

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

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

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

AASB 101.117(b)

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

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

3.16 Financial instruments

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.

3.17 Inventories

- AASB 102.36(a)
AASB 101.117(a) Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.18 Income taxes

- AASB 101.117(a)
AASB 101.117(b) Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

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

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

AASB 101.117(a)

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

AASB 101.122

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

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

AASB 101.117(b)

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

3.19 Cash and cash equivalents

AASB 107.46

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

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

AASB 101.117(a)

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

AASB 101.117(b)

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

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

3.21 Equity, reserves and dividend payments

AASB 101.79(b)

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

Reserves include the following:

- **revaluation reserve:** comprises gains and losses from the revaluation of land
- **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 Australian Dollars
- **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

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

3.22 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 defined benefit plans as well as various defined contribution plans.

Defined contribution plans

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

Defined Benefit Plans (DBP)

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

The liability recognised in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets.

AASB 101.117(a)

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

AASB 119.57(d)

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

AASB 119.103

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

3.23 Share-based employee remuneration

AASB 101.117(b)

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

AASB 101.117(a)

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

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

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

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

3.24 Provisions, contingent liabilities and contingent assets

AASB 101.117(b)

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

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

AASB 101.117(a)

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

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

AASB 101.117(a)

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

3.25 Goods and Services Tax (GST)

Interpretation 1031

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

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

3.26 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.

3.27 Significant management judgement in applying accounting policies and estimation uncertainty

AASB 101.122

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

Significant management judgement

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

Recognition of service and construction contract revenue

Determining when to recognise revenues from after-sales 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.

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.

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.

Estimation uncertainty

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 (see Note 3.3). 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

AASB 101.125

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.

4 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
Total revenue from contracts with customers	110,810	18,140	72,098	3,679	204,727
Rental income from investment property	-	-	-	-	1,066
Total	110,810	18,140	72,098	3,679	205,793

	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
Total revenue from contracts with customers	109,302	17,832	59,310	3,756	190,200
Rental income from investment property	-	-	-	-	1,028
Total	109,302	17,832	59,310	3,756	191,228

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
Total	110,810	18,140	72,098	3,679	204,727

	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
Total	109,302	17,832	59,310	3,756	190,200

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
Current		
Contract asset - Deferred customer set-up costs	109	-
Prepayments	297	-
Other current assets	406	-
Non-current assets		
Contract asset - Deferred customer set-up costs	185	-
Total	591	-

5 Finance costs and finance income

Finance costs for the reporting periods consist of the following:

	2018	2017
	\$'000	\$'000
Interest expenses for borrowings at amortised cost:		
• Subordinated shareholder loan	200	200
• Other borrowings at amortised cost	806	587
	1,006	787
Interest expenses for finance lease arrangements	220	230
Total interest expenses for financial liabilities not at fair value through profit or	1,226	1,017

AASB 7.20(b)

AASB 7.20(b)

		2018	2017
		\$'000	\$'000
	loss (FVPL)		
	Less: interest expenses capitalised into intangible assets	(80)	(78)
AASB 123.26(a)		1,146	939
	Defined benefit obligation interest expenses	505	549
AASB 119.120A(g)(ii)	Unwinding of discount relating to contingent consideration liability	20	-
	Loss on foreign currency financial liabilities designated at FVPL	30	70
		1,701	1,558
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)	Total interest income for financial assets not at FVPL	655	539
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
		1,224	885

6 Other financial items

Other financial items consist of the following:

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

7 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	
AASB 112.81(c)(i)	\$'000	\$'000	
Profit before tax	22,705	17,183	
AASB 112.85	Domestic tax rate for Grant Thornton CLEAR RDR Example Pty Ltd	30%	30%
	Expected tax expense	6,812	5,155
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
	Actual tax expense / (income)	6,794	4,888
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
AASB 112.80	• utilisation of unused tax losses	75	225
	• Tax expense	6,794	4,888
AASB 112.RDR81.1	Deferred tax expense / (income), recognised directly in other comprehensive income	(1,064)	(1,157)

Note 16 provides information on deferred tax assets and liabilities, including the amounts recognised directly in other comprehensive income.

8 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 sales 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 5.38

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

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

AASB 5.33

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

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

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

9 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
Cash and cash equivalents	34,729	11,197

AASB 107.48
AASB 110.19

Following the acquisition of Goodtech some bank deposits of the acquiree were temporarily 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.

10 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)
Trade receivables	30,498	23,329
Receivables due from ABC Associates	112	112
Financial assets	(4)	-
Social security and other taxes	30,606	23,441
Construction contracts for telecommunication solutions	740	991
Prepayments	1,374	974
Non-financial assets	2,114	1,965
	32,720	25,406

AASB 7.25
AASB 7.29

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

AASB 101.60

The receivable due from ABC Associates relates to the remaining consideration due on the sale of a former subsidiary in 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.

AASB 7.16

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

	2018	2017
	\$'000	\$'000
Reconciliation of allowance credit losses		
Balance 1 January	560	112
Amounts written off (uncollectable)	(200)	(66)
Impairment loss	407	514
Balance 31 December	767	560

AASB 7.16

11 Financial assets and liabilities

11.1 Categories of financial assets and liabilities

AASB 7.25

Note 3.16 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
Financial assets							
AASB 7.8(c)	Cash and cash equivalents	9	34,729	-	-	-	34,729
AASB 7.8(c)	Trade and other receivables		30,606	-	-	-	30,606
AASB 7.8(a)(ii)	Derivative financial instruments	11.7	-	115	-	601	716
AASB 7.8(a)(ii)	Other short-term financial assets	11.4	-	655	-	-	655
AASB 7.8(b)	Government bonds	11.2	2,700	-	-	-	2,700
	Corporate bonds	11.5	-	-	178	-	178
	Listed equity securities - other	11.4	-	975	-	-	975
AASB 7.8(d)	Listed equity securities – XY Ltd	11.5	-	-	-	198	198
		68,035	1,745	178	198	601	70,757

	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	11.8	-	4,815
AASB 7.8(f)	Trade and other payables	19	-	13,069
AASB 7.(e)(i)	Non-current borrowings	11.8	-	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)	Held for trading (FVPL)	Derivatives (FV) used for hedging	Held to Maturity (amortised cost)	Loans and receivables (amortised cost)	Total
		2017	2017	2017	2017	2017	2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
AASB 7.8(c)	Cash and cash equivalents	9	-	-	-	11,197	11,197
AASB 7.8(c)	Trade and other receivables	10	-	-	-	23,441	23,441
AASB 7.8(a)(ii)	Derivative financial instruments	11.7	-	212	230	-	442
AASB 7.8(a)(ii)	Other short-term financial assets	11.4	-	649	-	-	649
AASB 7.8(b)	Government bonds	11.3	-	-	1,189	-	1,189
	Corporate bonds	11.6	1,915	-	-	-	1,195
	Listed equity securities	11.6	343	-	-	-	343

AASB 7.8(d)

	Notes	Available for sale (FV)	Held for trading (FVPL)	Derivatives (FV) used for hedging	Held to Maturity (amortised cost)	Loans and receivables (amortised cost)	Total
		2017	2017	2017	2017	2017	2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unlisted equity securities - XY Ltd	11.6	433	-	-	-	-	433
		2,691	861	230	1,189	34,638	39,609

AASB 7.8(d)

AASB 7.8(b)

	Notes	Derivatives used for hedging (FV)	Other liabilities (amortised cost)	Total
		2017	2017	2017
		\$'000	\$'000	\$'000
Financial liabilities				
Trade and other payables	19	-	11,515	11,515
Derivative financial instruments	11.7	160	-	160
Current borrowings	11.8	-	3,379	3,379
Non-current borrowings	11.8	-	21,265	21,265
		160	36,159	36,319

AASB 7.33

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 30.

AASB 13.91(a)

The methods used to measure financial assets and liabilities reported at fair value are described in Note 30.1.

11.2 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	2017
	\$'000	\$'000
AASB 7.8(f) Carrying amount at amortised cost		
• Government bonds - Australia	2,700	-
• Government bonds - Other countries	-	-
AASB 7.8(a)	2,700	-

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.

11.3 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) are as follows:

	2018	2017
	\$'000	\$'000
Carrying amount at amortised cost		
Government bonds	-	1,189

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

11.4 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	2017
	\$'000	\$'000
Listed equity securities	975	-
Other short-term financial assets	655	649
	1,630	649

11.5 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	2017
	\$'000	\$'000
Equity		
Investment in XY Ltd	198	-
Debt		
Corporate bonds	178	-
	376	-

AASB 7.25

11.6 Financial assets classified as available for sale financial assets

AASB 7.8(h)
AASB 7.29(a)

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

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

AASB 7.25

11.7 Derivative financial assets

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

	2018	2017
	\$'000	\$'000
US-Dollar forward contracts - cash flow hedge	467	-
GBP forward contracts - cash flow hedge	134	230
Other forward exchange contracts - held-for-trading	115	212
Derivative financial assets	716	442
US-Dollar forward contracts - cash flow hedge	-	(160)
Derivative financial liabilities	-	(160)

AASB 1.77
AASB 7.24A(a)

AASB 1.77
AASB 7.24A(a)

AASB 1.77

AASB 1.77
AASB 7.24A(a)

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.

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.

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 7.22B©	Hedge ratio	1:1	1:1
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
		390	140

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.

11.8 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
	4,815	3,379	21,070	21,265
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
	4,816	3,380	21,035	21,430

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%.

11.9 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

12 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
	18,298	17,226

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).

13 Investments accounted for using the equity method

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

13.1 Investment in joint venture

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)(iii)

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

13.2 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.

14 Property, plant and equipment

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

	Land	Buildings	Other equipment	Other equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount					
AASB 116.73(d) Balance 1 January 2018	7,697	19,362	5,579	2,319	34,957
AASB 116.73(e)(i) Additions	-	76	-	-	76
AASB 116.73(e)(iii) Acquisition through business combination	730	1,221	2,306	365	4,622
AASB 116.73(e)(ii) Disposals	-	(401)	-	-	(401)
AASB 116.73(e)(iv) Revaluation increase	303	-	-	-	303
AASB 116.73(e)(viii) Net exchange differences	(21)	(81)	(79)	(54)	(235)
AASB 116.73(d) Balance 31 December 2018	8,709	20,177	7,806	2,630	39,322
Depreciation and impairment					
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) Balance 31 December 2018	-	(13,213)	(2,446)	(1,464)	(17,123)
Carrying amount 31 December 2018	8,709	6,964	5,360	1,166	22,199

AASB 116.74(a)

Land and buildings have been pledged as security for the Group's other bank borrowings.

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(f)

The revalued amounts include a revaluation surplus of \$1,288,000 before tax (2017: \$985,000).

15 Investment property

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

AASB 140.75(d)

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

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

AASB 140.75(g)

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

All properties are leased out on operating leases. The lease contracts are all non-cancellable for eight years from the commencement of the lease. Future minimum lease rentals are as follows:

		Minimum lease payments			
		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

16 Deferred tax assets and liabilities

AASB 112.81(g)

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
Non-current assets					
Other intangible assets	847	(63)	444	30	1,258
Property, plant and equipment	2,130	(22)	188	406	2,702
Other long term financial assets	(95)	-	-	19	(76)
Investment property	1,914	-	-	93	2,007
Current assets					
Trade and other receivables	(168)	-	-	38	(130)
Non-current liabilities					
Pension and other employee obligations	-	-	-	-	-
Current liabilities					
Provisions	(1,007)	-	-	639	(368)
Pension and other employee obligations	(4,451)	1,149	-	(188)	(3,490)
Unused tax losses	(75)	-	-	75	-
	(905)	1,064	632	1,112	1,903

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
Non-current assets						
Other intangible assets	409	(27)	-	210	255	847
Property, plant and equipment	1,528	(68)	-	225	445	2,130
Other long term financial assets	-	-	-	-	(95)	(95)
Investment property	1,861	-	-	-	53	1,914
Current assets						
Trade and other receivables	(34)	-	-	-	(134)	(168)
Non-current liabilities						
Pension and other employee obligations	-	-	-	-	-	-
Current liabilities						
Provisions	(1,320)	-	70	-	243	(1,007)
Pension and other employee obligations	(2,996)	(1,062)	-	-	(393)	(4,451)
Unused tax losses	(300)	-	-	-	225	(75)
	(852)	(1,157)	70	435	599	(905)

The amounts recognised in other comprehensive income relate to revaluation of land and exchange differences on translating foreign operations. See Note 23.2 for the amount of the income tax relating to these components of other comprehensive income.

AASB 112.81(e)

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

17 Goodwill

AASB 3.B67(d)

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

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

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

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

18 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
Gross carrying amount					
Balance at 1 January 2018	13,608	14,794	760	374	29,536
Addition, separately acquired	440	-	-	-	440
Addition, internally developed	-	3,306	-	-	3,306
Acquisition through business combination	3,653	-	215	1,387	5,255
Disposals	(1,159)	-	-	-	(1,159)
Other charges	(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)

		Acquired software licenses	Internally developed software	Brand names	Customer lists	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
AASB 138.118(e)(vi)	Amortisation	(1,978)	(1,315)	(125)	(110)	(3,528)
AASB 138.118(e)(iv)	Impairment losses	-	(870)	-	-	(870)
AASB 138.118(e)(ii)	Disposals	350	-	-	-	350
	Net exchange differences	(48)	(36)	-	-	(84)
	Balance at 31 December 2018	(7,739)	(11,602)	(287)	(199)	(19,827)
	Carrying amount 31 December 2018	8,730	6,444	688	1,562	17,424

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

The impairment loss amounted to \$870,000 (2017: \$Nil). All amortisation and impairment charges (or reversals if any) are included within 'impairment of non-financial assets'. No intangible assets have been pledged as security for liabilities.

AASB 138.122(e)

During the year, the Group entered into an agreement to acquire enterprise resource planning software, to support the planning and administration of the Group's operations. Minimum contractual commitments resulting from this agreement are \$97,000 payable during 2018. No other material contractual commitments at 31 December 2018 (2017: None).

19 Trade and other payables

Trade and other payables recognised consist of the following:

	2018	2017
	\$'000	\$'000
Current		
Trade payables	7,843	6,472
Other payables	654	78
Finance lease liabilities	4,572	4,965
Total trade and other payables	13,069	11,515

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

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

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

20 Provisions

AASB 101.69

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

	Restructuring	Other	Total
	\$'000	\$'000	\$'000
AASB 137.84(a)	Carrying amount 1 January 2018	2,110	1,235
			3,345
	Additional provisions	-	1,570
			1,570
AASB 137.84(c)	Amount utilised	(876)	(2,221)
			(3,087)
AASB 137.84(d)	Reversals	(510)	(103)
			(613)
AASB 137.84(a)	Carrying amount 31 December 2018	724	491
			1,215

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 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 101.125(a)
AASB 101.125(b)

The restructuring provision as at 31 December 2018 was reduced due 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.

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.

21 Employee remuneration

21.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

		2018	2017
		\$'000	\$'000
AASB 119.142	Wages, salaries	96,483	91,168
	Social security costs	11,229	10,608
AASB 2RDR 50.1	Share-based payments	298	466
	Pensions – defined benefit plans	1,308	3,030
AASB 119.46	Pensions – defined contribution plans	4,491	4,243
	Employee benefits expense	113,809	109,515

21.2 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 (\$)
Outstanding at 1 January 2017	300,000	6.24	95,250	5.81
Granted	-	-	-	-
Forfeited	(513)	6.24	(1,012)	5.81
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 31 December 2018	299,487	6.24	94,238	5.81
Granted	100,000	7.81	-	-

	Star Program		Stay program	
	Number of shares	Weighted average exercise of shares	Number of shares	Weighted average exercise price (\$)
Forfeited	(312)	6.24	(3,489)	5.81
Exercised	(270,000)	6.24	-	-
Outstanding at 31 December 2018	129,175	7.45	90,749	5.81
Exercisable at 31 December 2017	-	-	-	-
Exercisable at 31 December 2018	29,175	6.24	-	-

AASB 2RDR 46.1

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

AASB 2RDR 46.1

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.

21.3 Employee benefits

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

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

AASB 2.45(a)(i)

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.

Defined benefit plan (DBP)

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.

⁴ 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.

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

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

AASB 119.139(a)

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

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation 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.

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:

AASB 119.140

	2018
	\$'000
Defined benefit obligations	53,874
Fair value of planned assets	(42,242)
	11,632
Classified as:	
• Current liability	1,246
• Non-current liability	10,386

Defined Benefit Obligation (DBO)

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

		2018
		\$'000
AASB 119.140(a)(ii)	Defined benefit obligation 1 January	47,410
AASB 119.141(f)	Contributions by plan participants	658
AASB 119.141(g)	Benefits paid	(1,251)
AASB 119.141(d)	Other movements	7,057
AASB 119.141(a)(iii)	Defined benefit obligation 31 December	53,874
AASB 119.138(e)	Thereof:	
	• Unfunded	-
	• partly unfunded	53,874

Plan assets

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

		2018
		\$'000
AASB 119.140(a)(i)	Fair value of plan assets 1 January	32,575
AASB 119.141(f)	Contributions	1,844
AASB 119.141(g)	Benefits paid	(1,251)
	Other movements	9,074
AASB 119.140(a)(i)	Fair value of plan assets 31 December	42,242

The 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	Cash and cash equivalents	3,442	2,075
	Equity instruments:		
	• financial institutions	9,800	7,600
	• pharmaceuticals	8,100	4,300

	Total plan assets	
	2018	2017
	\$'000	\$'000
• oil and gas industry	1,600	1,700
• manufacturing industry	1,500	1,200
Sub-total	21,000	14,800
Debt instruments:		
• Australian government bonds	4,800	5,800
• corporate bonds (rated AA and above)	3,100	5,600
Sub-total	7,900	11,400
Real estate:		
• in Australia	6,700	2,500
• in the US	3,200	1,800
Sub-total	9,900	4,300
Total	42,242	32,575

AASB 119.142

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

AASB 119.138(a)

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

	Australia	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

AASB 119.139(a)

The significant actuarial assumptions used for the valuation are as follows:⁵

	2018	2017
Discount rate at 31 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, that are related to the Group's defined benefit plans are as follows:

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

AASB 119.134

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

AASB 119.120

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

⁵ 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.

		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
	Total income / (expenses) recognised in other comprehensive income	3,830	(3,541)

AASB 119.122 All the expenses summarised above were included within items that will not be reclassified subsequently to profit or loss in the statement of other comprehensive income.

Other defined benefit plan information

AASB 119.144
AASB 119.173(b)

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.

22 Contract and other liabilities

Other liabilities consist of the following:

		2018	2017
		\$'000	\$'000
AASB 111.42(b)	Other liabilities		
	Advances received for construction contract work	513	427
	Contract liability - Deferred service income	2,123	2,291
	Other	28	657
	Deferred gain	100	100
	Other liabilities – current	2,764	3,475
	Contingent consideration for the acquisition of Goodtech	614	-
	Deferred gain	1,400	1,500
	Other liabilities – non-current	2,014	1,500

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 2019 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 3.6.

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.

23 Equity

23.1 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	-
Total contributed equity at 31 December	13,770,000	12,000,000	33,415	15,050

AASB 101.79(a)(i)

Additional shares were issued during 2018 relating to share-based payments (see Note 21.2 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 21.2).

23.2 Other components of equity

The details of 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)	-	-	-	-	(1,064)
AASB 101.90	Net of tax	(488)	212	-	252	35	(35)	2,657
	Balance at 31 January 2018	(847)	901	-	392	35	(35)	2,265

	Foreign currency translation reserve	Revaluation reserve	APS financial assets reserve	Cash flow hedges reserves	Actuarial adjustments on defined benefit plans	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AASB 101.106(d)(i)						
AASB 101.106A	Balance at 1 January 2017	(113)	689	-	312	1,617
	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)	• reclassification to profit or loss	-	-	(712)	-	(712)
AASB 101.92						
AASB 7.20(a)(viii)	AFS financial assets:				-	
AASB 7.20(a)(viii)	• current year gains	-	-	(22)	-	(22)
AASB 101.92)	• reclassification to profit or loss	-	-	-	-	-
	Revaluation of land	-	-	-	-	-
AASB 121.52(b)	Exchange differences on translating foreign operations	(341)	-	-	-	(341)
AASB 101.91(b)	Before tax	(341)	-	(22)	(172)	(3,541)
AASB 101.90	• Tax benefit / (expense)	95	-	-	1,062	1,157
	Net of tax	(246)	-	(22)	(2,479)	(2,919)
AASB 101.106A	Balance at 31 December 2017	(359)	689	(22)	140	(862)

24 Non-cash investing and financing activities

AASB 107.43

In March 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.

25 Related party transactions

AASB 124.18(g)

The Group's related parties include its associates and joint venture, key management, post-employment benefit plans for the Group's employees and others as described below. In addition, Grant Thornton CLEARR has a subordinated loan from its main shareholder, the LOM Investment Trust (see Note 11.8 for information on terms and conditions), 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.

25.1 Transactions with associates

AASB 124.16(d)
AASB 124.17
AASB 124.17(a)
AASB 124.17(b)

In order to meet peak demands by its customers, the Group has some of its consulting services carried out by professionals of its associate, Equipe Consultants S.A. During 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.

25.2 Transactions with joint ventures

AASB 124.18(e)
AASB 124.17(a)

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).

25.3 Transactions with key management personnel

AASB 124.18(f)

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

	2018	2017
	\$000	\$000
AASB 124.16		
Total key management personnel remuneration	3,250	2,290

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)
AASB 124.17(b)

The Group allows its employees to take up limited short-term loans to fund merchandise and other purchases through the Group's business contacts. This facility is also available to the Group's key management personnel. During 2018, the Group's key management received short term loans totalling \$40,000 (2017: \$38,000). The outstanding balance of \$1,000 (2017: \$1,000) has been included in trade and other receivables.

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.

25.4 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 21.3).

26 Contingent liabilities

AASB 101.114(d)
AASB 137.86

Various warranty and legal claims were brought against the Group during the year. Unless recognised as a provision (see Note 20), 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.

27 Acquisitions and disposals

27.1 Acquisition of Goodtech Ltd

AASB 3.B64(a-c)

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
AASB 3.B64(f)	Fair value of consideration transferred	
AASB 3.B64(f)(i)	Amount settled in cash	16,058
AASB 3.B64(f)(iii)	Fair value of contingent consideration	600
	Total	16,658
AASB 3.B64(i),	Recognised amounts of identifiable net assets	
	Property, plant and equipment	4,622
	Intangible assets	5,255
	Investments accounted for using the equity method	345
	Investment property	75
	Total non-current assets	10,297
	Inventories	8,995
	Trade and other receivables	7,792
	Cash and cash equivalents	567
	Total current assets	17,354
	Borrowings	(3,478)

	\$'000
Deferred tax liabilities	(632)
Total non-current assets	(4,110)
Provisions	(1,320)
Other liabilities	(2,312)
Trade and other payables	(5,689)
Total non-current liabilities	(9,321)
Identifiable net assets	14,220
Goodwill on acquisition	2,438

Consideration transferred

AASB 3.B64(f)(i)

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

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

The purchase agreement included an additional consideration of \$1,310,000, payable only if the average profits of Goodtech for 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%⁶. 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.

27.2 Acquisition of Good Buy Inc.

AASB 3.66
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
Fair value of consideration transferred:	
Amount settled in cash	12,420
Recognised amounts of identifiable net assets:	
Property, plant and equipment	3,148
Intangible assets	3,005

⁶ 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.

AASB 107.40(c)

	\$'000
Total non-current assets	6,153
Inventories	5,469
Trade and other receivables	5,200
Cash and cash equivalents	3445
Total current assets	11,014
Deferred tax liabilities	(435)
Non-current liabilities	(435)
Provisions and contingent liabilities	(1,234)
Other liabilities	(657)
Trade and other payables	(4,990)
Total current liabilities	(6,881)
Net identifiable assets and liabilities	9,851
Goodwill on acquisition	2,569
Consideration transferred settled in cash	12,420
Cash and cash equivalents acquired	(345)
Net cash outflow on acquisition	12,075
Acquisition costs charged to expenses	76
Net cash paid relating to the acquisition	12,151

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'.

28 Interests in subsidiaries

28.1 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%

29 Leases

29.1 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

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.

29.2 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
AASB 117.33(a)	31 December 2018	4,211	12,567	25,678	42,456
	31 December 2017	3,431	12,100	24,342	39,873

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.

29.3 Operating leases as lessor

The Group leases out investment properties on operating leases.

30 Fair value measurement

30.1 Fair value measurement of financial instruments

The following table shows the financial assets and liabilities measured at fair value on a recurring basis at 31 December 2018 and 31 December 2017:

	\$'000
31 December 2018	
Financial assets	
Listed equity securities	975
Unlisted equity securities - XY limited	198
Corporate bonds	178
Other short-term financial assets	655
US-Dollar forward contracts - cash flow hedge	467
GBP forward contracts - Cash flow hedge	134
Other forward exchange contracts - held-for-trading	115
Total assets	2,722
Financial liabilities	
Contingent consideration	(620)
Net fair value	2,102

AASB 13.93(a),
AASB 13.94

\$'000

31 December 2017

Financial assets

Listed equity securities	343
Unlisted equity securities - XY limited	433
GBP forward contracts - cash flow hedge	230
Corporate bonds	1,915
Other short-term financial assets	649
Other forward exchange contracts - held-for-trading	212

Total assets **3,782**

Financial liabilities

Contingent consideration (160)

Net fair value **3,622**

30.2 Fair value measurement of non-financial instruments

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2018:

\$'000

31 December 2018

Property, plant and equipment:

• Land held for production in Australia	7,979
• Goodtech land	730

Investment property:

• Office building in Australia	4,552
• Goodtech investment property	75
• Office building in the US	8,035

AASB 13.93(a)-(b),

AASB 13.94

AASB 140.75(d)-(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.

Further information is set out below.

Land held for production in Australia (Level 3)

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.

Land with a fair value of \$730,000, recognised upon the acquisition of Goodtech in March 2018 (see Note 27.1), 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)

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.

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 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%

An investment property with a fair value of \$75,000, recognised upon the acquisition of Goodtech (see Note 27.1) in March 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.

31 Parent entity information

Information relating to Grant Thornton CLEAR RDR Example Pty Ltd (the Parent Entity):

	2018	2017
	\$'000	\$'000
Statement of financial position		
Current assets	56,816	40,220
Total assets	96,751	96,153
Current liabilities	5,942	11,784
Total liabilities	41,355	54,015
Net assets	55,396	42,138
Issued capital	13,770	12,000

	2018 \$'000	2017 \$'000
Retained earnings	40,480	29,314
Asset revaluation reserve	800	689
Available for sale reserve	98	35
Cash flow hedge reserve	248	100
Total equity	55,396	42,138
Statement of profit or loss and other comprehensive income		
Profit for the year	11,166	9,457
Other comprehensive income	322	258
Total comprehensive income	11,488	9,715

The Parent Entity has capital commitments of \$1.1m to purchase plant and IT equipment (2017: \$Nil).

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

32 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 RDR Example Pty Ltd:
- a The consolidated financial statements and notes of Grant Thornton CLEARR RDR Example Pty 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 RDR Example Pty Ltd will be able to pay its debts as and when they become due and payable.
- 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.



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