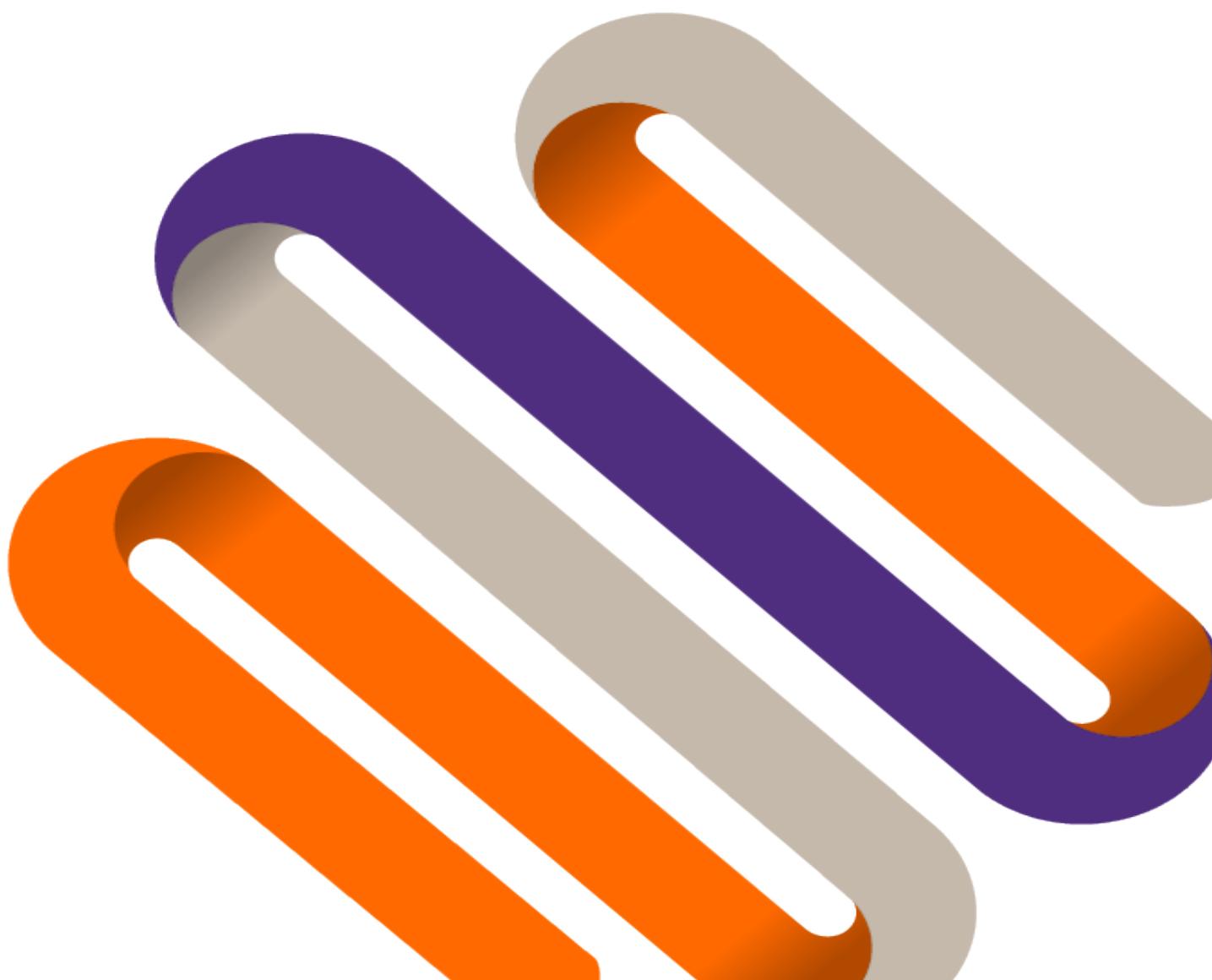


Example special purpose financial statements

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



Foreword

Welcome to the December 2018 edition of the example Special purpose 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 in line with Australian financial reporting and regulatory requirements. It is based on the activities and results of a fictitious IT entity, Grant Thornton CLEARR Example Pty Ltd, which prepares special 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 upcoming 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

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Directors Report

CA 298(1)

Your Directors present their report on Grant Thornton CLEARR Example Pty Ltd (the Company or Grant Thornton CLEARR) for the financial year ended 31 December 2018.

Directors

CA 299 (2)(b)

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

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

Review of operations and financial results

CA 299(1)(ii)

A review of the operations of the Company during the financial year and the results of those operations found that the changes in market demand and competition have seen an increase in sales of 7.1% to \$472,149,000. The profit of the Company for the financial year after providing for income tax amounted to \$32,757,000 (2017: \$21,849,000).

Significant changes in state of affairs

CA 299(1)(b)

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

Principal activities

CA 299(1)(c)

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

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

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

Events arising since the end of the reporting period

CA 299(1)(d)

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

Future development, prospects and business strategies

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

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 Company'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 Company'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 Company is currently engaged in a competitive tender process to supply the Australian government \$50m IT and telecommunication systems and offer integration and maintenance services over the next ten (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 Company's business strategy and future prospects. We are relying on the exemption on the basis that disclosure of the potential financial impact on the Company 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 Company's prospects.

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

- 1 **Reduction in demand from overseas markets:** given our reliance on the United Kingdom, USA and other overseas markets, this could have a significant impact on our financial results. Based on the views of prominent economic commentators, we do not anticipate any significant slowdown in these overseas economies for the next few years, but are currently investigating the option of expanding our sales into other emerging economies, such as China and India; and
- 2 **Technological obsolescence:** given the rapidly changing environment in which the Company 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.

Environmental issues

CA 299(1)(f)

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

Dividends paid or recommended

CA 300(1)(a)

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

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

Options

CA 300(1)(e)

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

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 Company. The officers of the Company 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 Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

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

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

Indemnity of auditors

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

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

Proceedings on behalf of Company

CA 300(14)

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

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

Auditor's Independence Declaration

CA 298(1)(c)

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this Directors' Report.

Rounding of amounts

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

Grant Thornton CLEARR is a type of Company referred to in the *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 289(2)(a)

Signed in accordance with a resolution of the Directors.

CA 298(2)(c)

Blake Smith
Director

CA 306 (2)(b)

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

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

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

www.grantthornton.com.au

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

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

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

According to AASB 101.90, an entity shall disclose the amount of income tax relating to each component of other comprehensive income either on the face of the statement of profit or loss and other comprehensive income or in the notes. In this example the entity presents components of other comprehensive income before tax with one amount shown for the aggregate amount of income tax relating to all components of other comprehensive income (AASB 101.91(b)).

Alternatively, the entity may present each component of other comprehensive income net of related tax effects (AASB 101.91(a)). If the tax effects of each component of other comprehensive income are not presented on the face of the statement this information shall be presented in the notes.

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(e)			
AASB 101.82(a)	2	472,149	440,963
	3	742	192
		(3,523)	(782)
		(137,078)	(131,118)
		(227,169)	(221,724)
		(18,497)	(20,003)
		(375)	(360)
		(37,397)	(32,844)
AASB 101.82(b)	4	(2,061)	(2,979)
		46,791	31,345
AASB 101.82(d)	5	(14,034)	(9,496)
AASB 101.82(f)		32,757	21,849
AASB 101.82(g)			
AASB 101.82A			
		-	1,400
AASB 101.82A			
		-	(2)
		(3)	(7)
		(7)	(18)
		(10)	1,373
AASB 101.82(i)		32,747	23,222

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

Guidance Note: Consolidated Statement of Financial Position

The statement of financial position complies with AASB 101.

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	2018 \$'000
AASB101.60, AASB101.66	Current assets			
AASB101.54(i)	Cash and cash equivalents	8	26,136	5,524
AASB101.54(h)	Trade and other receivables	9	14,336	13,178
AASB101.54(g)	Inventories	10	39,525	43,048
	Other current assets	11	3,180	2,788
	Total current assets		83,177	64,538
AASB101.60, ASB101.66	Non-current assets			
AASB101.54(h)	Trade and other receivables	9	145	145
	Other assets	11	1,260	1,445
AASB101.54(a)	Property, plant and equipment	12	127,253	134,014
AASB101.54(o)	Deferred tax assets	17	9,289	8,464
AASB101.54(c)	Intangible assets	13	1,741	2,116
	Total non-current assets		139,688	146,184
	Total assets		222,865	210,722

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

Consolidated Statement of Financial Position (continued)

As at 31 December 2018

		Notes	2018 \$'000	2018 \$'000
AASB101.60, ASB101.69	Current liabilities			
AASB101.54(k)	Trade and other payables	14	20,004	17,306
AASB101.54(m)	Financial liabilities	15	6,114	3,337
AASB101.54(m)	Derivative liabilities		122	107
AASB101.54(n)	Current tax liabilities	16	9,011	3,492
AASB101.54(l)	Employee benefits	17	8,352	8,143
AASB101.54(l)	Provisions	18	3,743	2,837
	Other liabilities		3,412	3,062
	Total current liabilities		50,758	38,284
AASB101.60, ASB101.69	Non-current liabilities			
AASB101.54(m)	Financial liabilities	15	8,690	38,338
AASB101.54(o)	Deferred tax liabilities	16	3,324	3,205
AASB101.54(l)	Employee benefits	17	11,149	10,854
AASB101.54(l)	Provisions	18	1,475	1,070
	Total non-current liabilities		24,638	53,467
	Total liabilities		75,396	91,751
	Net assets		147,469	118,971
	Equity			
AASB101.54(r)	Contributed equity	19	80,000	80,000
AASB101.54(r)	Reserves	20	4,465	4,475
	Retained earnings		63,004	34,496
	Total equity		147,469	118,971

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

Guidance Note: Consolidated Statement of Changes in Equity

Entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements (AASB 101.106(d)(ii) and AASB 101.106A).

These **Example Financial Statements** present the reconciliations for each component of other comprehensive income in the notes to the financial statements. 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	Retained earnings \$'000	Reserves \$'000	Total \$'000
AASB101.106(d)		80,000	15,847	3,102	98,949
		-	21,849	-	21,849
	20	-	-	1,373	1,373
AASB101.106(a)		-	21,849	1,373	23,222
AASB101.107	7	-	(3,200)	-	(3,200)
AASB101.106(d)(iii)		-	(3,200)	-	(3,200)
AASB101.106(d)		80,000	34,496	4,475	118,971
AASB 101.106(d)		80,000	34,496	4,475	118,971
	1.2	-	(227)	-	(227)
	1.2	-	(22)	-	(22)
		80,000	34,247	4,475	118,722
		-	32,757	-	32,757
	20	-	-	(10)	(10)
AASB101.106(a)		-	32,757	(10)	32,747
AASB101.107	7	-	(4,000)	-	(4,000)
AASB101.106(d)(iii)		-	(4,000)	-	(4,000)
AASB101.106(d)		80,000	63,004	4,465	147,469

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

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

Notes to the Consolidated Financial Statements

1 Statement of significant accounting policies

AASB 1054.8-1054.9

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

AASB 1057.7

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

AASB 101.138(a)
AASB 1054.8

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

1.1 Basis of preparation

AASB 101.117(a)

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

1.2 New and amended standards adopted by the Company

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.

This change of accounting for set-up costs had no impact on the total amount of services revenue recognised under each contract, although the date upon which services revenue is first recognised has

been delayed by an average of 6 to 8 days. The total adjustment to the opening balance of retained earnings arising from the initial application of AASB 15 to set-up costs is \$267,000.

Loss contracts

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

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

As at 1 January 2018, the Group has identified only two loss provisions totalling to \$58,500. These provisions have been re-measured under AASB 137 at \$18,500.

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 \$'000	Retained earnings \$'000	Total equity \$'000
IT service set up costs	-	(267)	(267)
Remeasurement of loss contracts	-	40	40
	-	(227)	(227)

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	472,484	(335)	472,149
Changes in inventories	687	55	742
Employee benefits expense	(221,297)	128	(221,169)
Other expenses	(37,400)	3	(37,397)
Profit for the year	32,906	(149)	32,757
Total comprehensive income for the year	32,896	(149)	32,747

Statement of Financial Position (Extract)	Amounts under AASB 118 & 111	Adjustments	Amounts under AASB 15
	\$'000	\$'000	\$'000
Current Assets			
Trade and other receivables	14,606	(270)	14,336
Inventories	39,339	186	39,525
Non-current Assets			
Prepayment and other assets	-	406	406
Total Assets	53,945	322	54,267
Current Liabilities			
Current tax liabilities	9,151	(140)	9,011
Non-current Liabilities			
Trade and other payables	19,934	70	20,004
Total Liabilities	29,085	(70)	29,015
Equity			
Retained earnings	63,028	225	63,253

AASB 9 Financial Instruments

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

AASB 9.7.2.15

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 January 2018.

AASB 9.7.2.22
AASB 9.7.2.24

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

Impairment of trade receivables and contract assets

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

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

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

	Notes	Measurement Category		Carrying Amount		
		Original	New	Closing	Adoption	Opening
		AASB 139 category	AASB 9 category	balance 31 December 2017 (AASB 139)	of AASB 9	balance 1 January 2018 (AASB 9)
		\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Current financial assets						
Trade and other receivables	9	Amortised cost	Amortised cost	13,323	(22)	13,301
Cash and cash equivalents	8	Amortised cost	Amortised cost	5,524	-	5,524
Total financial asset balance				18,847	(22)	18,825

	Notes	Measurement Category		Carrying Amount		
		Original	New	Closing	Adoption	Opening
		AASB 139 category	AASB 9 category	balance 31 December 2017 (AASB 139)	of AASB 9	balance 1 January 2018 (AASB 9)
		\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities						
Current financial liabilities						
Derivative financial instrument		Derivatives used for hedging (FV)	Derivatives used for hedging (FV)	107	-	107
Trade and other payables	14	Amortised cost	Amortised cost	15,711	-	15,711
Other bank borrowings	15	Amortised cost	Amortised cost	2,000	-	2,000
				17,818	-	17,818
Non-current financial liabilities						
Other bank borrowings	15	Amortised cost	Amortised cost	34,901	-	34,901
				34,901	-	34,901
Total financial liabilities				52,719	-	52,719

1.3 Accounting standards issued but not yet effective and not been adopted early by the Company

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

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

1.4 Significant accounting policies

Income tax

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

Current tax

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

AASB 108.30
AASB 108.31

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

Deferred tax

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

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

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

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

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

Inventories

AASB 102.36(a)

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

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

Property, plant and equipment

AASB 116.73(a)-(c)

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

Property

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

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

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

Plant and equipment

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

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

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

Depreciation

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

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

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Buildings:	2%
Leasehold improvements:	10%-33%
Plant and equipment:	5%-15%
Leased plant and equipment:	10%

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

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

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

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

Leases

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

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

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

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

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

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 amortised costs.

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.

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.

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.

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

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)

Initial recognition and measurement

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

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

Effective interest method

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

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

Classification and subsequent measurement

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Financial liabilities

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

Fair value

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

Impairment of financial assets

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

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

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

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

Derivative financial instruments

Derivatives are initially recognised at fair value on the date of a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent

changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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

Derecognition

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

Impairment of non-financial assets

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

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

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

Intangible assets

AASB 138.118(a)-(b)

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

Research and development

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

Patents and trademarks

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

Software

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

Employee benefits

Short-term employee benefits

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

The Company'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.

The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Company 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 benefits plans

The Company provides post-employment benefits through defined contribution plans.

Defined contribution plans

The Company pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Company 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.

Provisions

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

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

Cash and cash equivalents

AASB 107.46

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

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

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)

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

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

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

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

All revenue is stated net of the amount of Goods and Services Tax (GST).

Borrowing costs

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

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

Goods and Services Tax (GST)

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

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

Rounding of amounts

The Company 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.

Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in Note 1.4.

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.

Internally generated software and research costs

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

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

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

Leases

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

Deferred tax assets

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

Estimation uncertainty

AASB 101.125

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

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

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

Impairment

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

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

Useful lives of depreciable assets

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

Inventories

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

Provisions – Warranties

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

Provisions – Long service leave

As discussed in Note 1.4, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

2 Revenue

AASB 118.35(b)

	2018	2017
	\$'000	\$'000
Operating activities		
Sale of goods	459,403	428,186
Revenue from rendering of services	11,588	12,186
Sales revenue	470,991	440,372
Other revenue		
Interest	1,087	543
Other revenue	71	48
Other revenue	1,158	591
Total revenue	472,149	440,963

3 Other income

AASB 118.35(b)

	2018	2017
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	422	192
Insurance recoveries	320	-
Total other income	742	192

4 Result for the year

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

	2018	2017
	\$'000	\$'000
a Expenses		
Cost of sales	284,451	277,984
Write-off of obsolete inventory	238	512
Cash flow hedge ineffectiveness	4	2
Rental expense on operating leases:		
• minimum lease payments	36,798	34,874
Amortisation of intangible assets	375	375
Depreciation	18,497	19,988
Research and development costs	124	107
Defined contribution superannuation expense	14,942	14,568
b Finance costs		
Interest expense for financial liabilities:		
Interest and finance charges	1,976	2,917
Unwinding of the discount on provisions	85	62
Total finance costs	2,061	2,979

5 Income tax expense

	2018	2017
	\$'000	\$'000
a The components of income tax expense comprise:		
• current tax	14,838	9,602
• deferred tax	(701F)	(106)
Under / (over) provisions in respect of prior years	(103)	-
	14,034	9,496

6 Auditors remuneration

	2018	2017
	\$'000	\$'000
Remuneration of the auditor of Company, Grant Thornton Australia Ltd for:		
• auditing the financial statements	243,000	230,000
• taxation services	13,000	12,000
Total auditor's remuneration	256,000	242,000

7 Dividends

	2018	2017
	\$'000	\$'000
Distributions paid		
• Declared fully franked ordinary dividend of 5 cents per share (2016: 4 cents) franked at the tax rate of 30% (2016: 30%)	4,000	3,200
The amount of the franking credits available for subsequent reporting periods are:		
• balance at the end of the reporting period	19,020	11,518
• franking credits that will arise from the payment of the amount of provision for income tax	9,011	3,492
	28,031	15,010

8 Cash and cash equivalents

AASB 107.45

	2018	2017
	\$'000	\$'000
Cash at bank and in hand	14,236	5,124
Short-term bank deposits	11,900	400
	26,136	5,524

9 Trade and other receivables

AASB 107.45

	2018	2017
	\$'000	\$'000
Current		
Trade receivables	14,411	13,183
Allowance for impairment of receivables	(75)	(5)
	14,336	13,178
Non-current		
Trade receivables	145	145
	14,269	13,131

10 Inventories

	2018	2017
	\$'000	\$'000
Current		
At cost:		
• raw materials and stores	6,817	6,081
• work in progress	16,040	17,434
• stock in transit	204	187
	23,061	43,048
At net realisable value:		
• finished goods	16,464	19,346
	39,525	43,048

11 Other assets

	2018	2017
	\$'000	\$'000
Current		
Deferred customer set-up costs	406	-
Prepayments	2,709	2,753
Security deposits	65	35
	3,180	2,788
Non-current		
Security deposits	1,260	1,445
	1,260	1,445

12 Property, plant and equipment

	2018	2017
	\$'000	\$'000
Land and buildings		
Freehold land at fair value	30,000	30,000
Buildings at fair value	28,500	28,500
Accumulated depreciation	-	-
Total land and buildings	58,500	58,500
Leasehold improvements		
At cost	33,585	27,185
Accumulated depreciation	(18,401)	(13,120)
Total leasehold improvements	15,184	14,065
Plant and equipment		
Plant and equipment:		
• at cost	105,607	100,362
• accumulated depreciation	(56,152)	(44,044)
• accumulated impairment losses	-	-
Total plant and equipment	49,455	56,318
Leased plant and equipment:		
• capitalised leased assets	6,184	6,184
• accumulated depreciation	(2,070)	(1,053)

	2018	2017
	\$'000	\$'000
Total leased plant and equipment	4,114	5,131
Total property, plant and equipment	127,253	134,014

The Company's land and buildings were revalued at 23 November 2018 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity.

13 Intangible assets

	2018	2017
	\$'000	\$'000
Development costs		
Cost	3,208	3,208
Accumulated impairment losses	-	-
Accumulated amortisation	(1,605)	(1,284)
Net carrying value	1,603	1,924
Patents and trademarks		
Cost	320	320
Accumulated amortisation	(224)	(192)
Net carrying value	96	128
Software		
Cost	108	108
Accumulated amortisation	(66)	(44)
Net carrying value	42	64
Total intangible assets	1,741	2,116

14 Trade and other payables

	2018	2017
	\$'000	\$'000
Unsecured liabilities:		
Trade payables	18,070	15,711
Sundry payables and accrued expenses	1,934	1,595
	20,004	17,306

15 Borrowings

	Notes	2018	2017
		\$'000	\$'000
Current			
Bank loan secured		4,500	2,000
Lease liability	21	1,614	1,337
Total current borrowings		6,114	3,337
Non-current			
Bank loan secured		6,867	34,901
Lease liability	21	1,823	3,437
Total non-current borrowings		8,690	38,338
Total borrowings		14,804	41,675

AASB 7.14(b)

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

AASB 7.14(a)

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

16 Taxation

	2018	2017
	\$'000	\$'000
Current	9,011	3,492
Income tax payable / (receivable)	9,011	3,492

	1 January 2018	Recognised in other comprehensive income	Recognised in profit and loss	31 December 2018
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	3,205	-	119	3,324
Deferred tax assets	8,464	5	820	9,289

17 Employee benefits

	2018	2017
	\$'000	\$'000
Current		
Annual leave	5,435	5,353
Long service leave	2,917	2,790
	8,352	8,143
Non-current		
Long service leave	11,149	10,854
	11,149	10,854

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

18 Provisions

	2018	2017
	\$'000	\$'000
Current	3,743	2,837
Non-current	1,475	1,070
	5,218	3,907

19 Issued capital

	2018	2017
	\$'000	\$'000
80,000,000 (2016: 80,000,000) fully paid ordinary shares	80,000	80,000
	80,000	80,000

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

AASB 101.79(a)(v)

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

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

20 Reserves

AASB 101.106(d)(i)

	Revaluation reserve	Cash flow hedges reserve	Total
	\$'000	\$'000	\$'000
Balance at 1 January 2017	3,150	(48)	3,102
<i>Other comprehensive income for the year:</i>			
• gains on property revaluation	2,000	-	2,000
Cash flow hedges:			
• current year gains	-	(25)	(25)
• transfer to inventory	-	(10)	(10)
• reclassification to profit or loss	-	(3)	(3)
Before tax	2,000	(38)	1,962
Tax benefit / (expense)	(600)	11	(589)
Net of tax	1,400	(27)	1,373
Balance at 31 December 2017	4,550	(75)	4,475
Balance at 1 January 2018	4,550	(75)	4,475
<i>Other comprehensive income for the year:</i>			
Cash flow hedges:			
• current year gains	-	(11)	(11)
• transfer to inventory	-	(4)	(4)
Before tax	-	(15)	(15)
Tax benefit / (expense)	-	5	5

AASB 101.106(d)(i)

	Revaluation reserve	Cash flow hedges reserve	Total
	\$'000	\$'000	\$'000
Net of tax	-	(10)	(10)
Balance at 31 December 2018	4,550	(85)	4,465

a Asset revaluation reserve

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

b Hedging reserve

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

21 Capital and leasing commitments

AASB 117.31(b)

	2018	2017
	\$'000	\$'000
a Finance lease commitments		
Payable – minimum lease payments:		
• not later than 12months	1,841	1,692
• between 12 months and five years	1,902	3,743
	3,743	5,435
Less future finance charges	(306)	(661)
Present value of minimum lease payments	3,437	4,774

AASB 117.35(a)

b Operating lease commitments		
<i>Non-cancellable operating leases contracted for but not capitalised in the financial statements</i>		
Payable – minimum lease payments:		
• not later than 12 months	38,103	35,162
• between 12 months and five years	168,275	155,287
• greater than five years	269,683	314,258
	476,061	504,707
c Operating lease commitments		
Capital expenditure commitments contracted for:		
• plant and equipment purchases	1,165	1,145
• capital expenditure projects	160	-

2018
\$'000
1,325

2017
\$'000
1,145

22 Contingent assets and contingent liabilities

AASB 101.114(d)(i)
AASB 137.89

The Company has no contingent assets.

AASB 137.86

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

AASB 137.92

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

23 Cash flow information

2018
\$'000

2017
\$'000

a Reconciliation of cash flows from operations with profit after income tax

Profit after income tax	32,757	21,849
Non-cash flows in profit:		
• depreciation and amortisation	18,872	20,363
• net gain on disposal of property, plant and equipment	(422)	(192)
• unwinding of discounts on provisions	85	62
Changes in assets and liabilities:		
• increase in trade and other receivables	(1,158)	(114)
• increase in other assets	(362)	(116)
• decrease in inventories	3,523	782
• (increase) / decrease in trade and other payables	2,698	(457)
• increase / (decrease) in income taxes payable	5,519	785
• (increase) / decrease in deferred taxes payable	(701)	250
• increase / (decrease) in employee benefits	504	283
• increase / (decrease) in provisions	427	249
• increase / (decrease) in other operating liabilities	350	113
Net cash provided by operating activities	62,092	43,877

Non-cash financing and investing activities

AASB 107.43

	2018	2017
	\$'000	\$'000
<i>Property, plant and equipment:</i>		
<ul style="list-style-type: none"> during the financial year, the Company acquired plant and equipment with an aggregate fair value of \$Nil (2017: \$2,334,000) by means of finance leases. These acquisitions are not reflected in the statement of cash flows 		

24 Events after the reporting date

AASB 110.21

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

25 Company details

AASB 101.138(a)

The registered office of the Company is:

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

The principal place of business is:

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

Directors' Declaration

CA 295(4)	<p>The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.</p> <p>The Directors of the Company declare that:</p> <p>1 The financial statements and notes, as set out on pages 6 to 43, are in accordance with the <i>Corporations Act 2001</i>:</p>
CA 295(4)(d)(i)	<p>a Comply with Accounting Standards as described in Note 1 to the financial statements, the <i>Corporations Regulations 2001</i> and other mandatory professional reporting requirements; and</p>
CA 295(4)(d)(ii)	<p>b Give a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the Company in accordance with the accounting policies described in Note 1 to the financial statements; and</p>
CA 295(4)(c)	<p>2 There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.</p>
CA 295(5)(a)	<p>This declaration is made in accordance with a resolution of the Board of Directors.</p>
CA 295(5)(c)	<p>Director</p> <p>Blake Smith</p>
CA 295(5)(b)	<p>Dated the 28th day of February 2019</p>

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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