



Grant Thornton

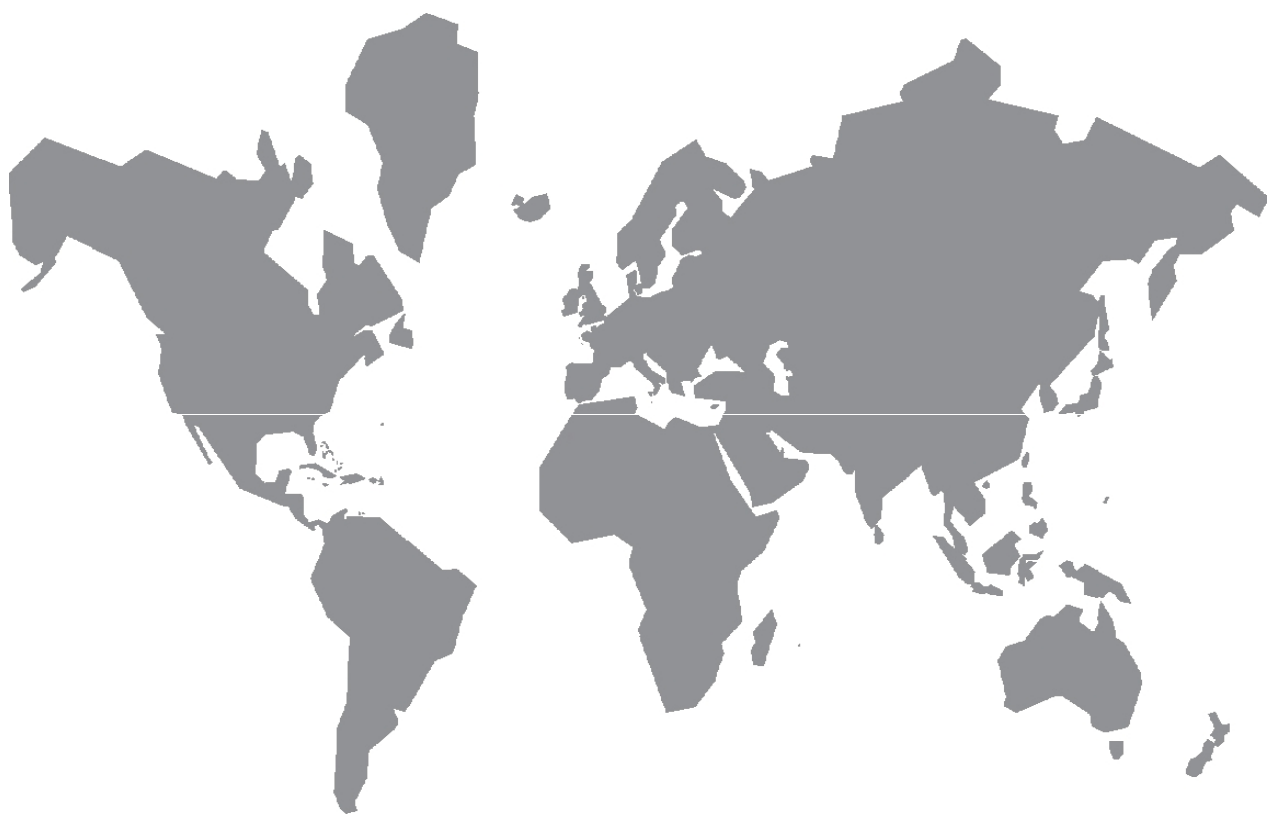
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# Example Large (Reporting) P/L Consolidated Financial Statements

International Financial Reporting Standards (IFRS)

Grant Thornton CLEARR Example  
Pty Ltd

30 June 2012



The BMD Group (BMD) is one of Australia's largest privately owned construction, consulting and urban development organisations. Through a relationship established in 2003, Grant Thornton Australia has provided audit and tax services to the group and has seen the business grow its revenue from \$100m to close to \$1b.

"The team show genuine interest in our business and industry sector. The directors and senior managers at Grant Thornton are always available to discuss areas of concern and respond promptly when contacted with well researched responses to our queries," said Craig Mortensen, Chief Financial Officer of the BMD Group.

"Regular business updates from Grant Thornton have been invaluable. They have allowed us to plan for changes and adapt our business model to mitigate any adverse impacts. Our Grant Thornton team regularly identifies issues, such as the accounting of treatment of certain transactions during the acquisition or divestment process, that could be addressed immediately rather than waiting to deal with them as part of the year-end audit. This approach expedites the end of year process and provides the Board with confidence in the reported results prior to audit sign-off."

### **Craig Mortensen**

Chief Financial Officer  
BMD Group

(Pictured with Dan Carroll, Partner, Audit & Assurance)



# Introduction

## Example Consolidated Financial Statements 2012

The preparation of financial statements in accordance with Australian Accounting Standards (AASBs) [International Financial Reporting Standards as adopted in Australia] involved relatively little change in the last two years. However, preparers need to be wary of the next oncoming wave of changes currently unfolding in the next couple of years with the completion of the various convergence projects between the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB). These include new standards issued in August 2011 for Consolidated Financial Statements and Joint Arrangements and in September 2011 for Fair Value Measurement and in the areas of financial instruments, revenue and leasing.

Should preparers like to discuss the recent developments within these areas and how these may impact upon your business, please contact your local Grant Thornton Australia contact, or the National Accounting Support (NAS) team on [nationalaudit.support@au.gt.com](mailto:nationalaudit.support@au.gt.com). There are also various publications (TA and EI Alerts) on our website [www.grantthornton.com.au](http://www.grantthornton.com.au) which provide an overview of these developments.

Grant Thornton Australia is pleased to publish *Example Consolidated Financial Statements 2012*, which is based on the recent Grant Thornton International publication, however has been tailored to suit the Australian financial reporting and regulatory environment. This publication is intended to illustrate the 'look and feel' of Australian general purpose financial statements and to provide a realistic example of their presentation.

*Example Consolidated Financial Statements 2012* is based on the activities and results of Grant Thornton CLEARR Example Pty Ltd and subsidiaries (the Group) - a fictional IT entity that has been preparing Australian general purpose financial statements for several years. The form and content of Australian general purpose financial statements depend of course on the activities and transactions of each reporting entity. Our objective in preparing *Example Consolidated Financial Statements 2012* 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. Management is responsible for the fair presentation of financial statements and therefore may find other approaches more appropriate in their specific circumstances.

*Example Consolidated Financial Statements 2012* has been reviewed and updated to reflect changes in AASBs that are effective for the year ending 30 June 2012. However, no account has been taken of any new developments published after **30 April 2012**. The Grant Thornton website contains any updates that are relevant for 30 June 2012 financial statements including our June 2012 'Updated Accounting Standards issued by the IASB/AASB but not yet applicable'.

## Using this publication

In some areas alternative presentation and disclosure approaches are also illustrated in the Appendices. For further guidance on the Standards and Interpretations applied, reference is made to

Australian Accounting Standards and Interpretations sources throughout the document on the left hand side of each page.

The use of this publication is **not** a substitute for the use of a comprehensive and up to date disclosure checklist to ensure completeness of the disclosures in Australian general purpose financial statements.

**Andrew Archer**

National Head of Audit & Assurance

Grant Thornton Australia Ltd

May 2012

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# Directors' Report

The Directors of Grant Thornton CLEARR Example Pty Ltd ('Grant Thornton CLEARR') present their Report together with the financial statements of the consolidated entity, being Grant Thornton CLEARR ('the Company') and its controlled entities ('the Group') for the year ended 30 June 2012 and the Independent Audit Report thereon.

CA 300(1)(c)

## Director details

The following persons were directors of Grant Thornton CLEARR during or since the end of the financial year.

Mr Blake Smith  
 Ms Beth King  
 Mr Simon Murphy  
 Mrs Alison French  
 Mr William Middleton appointed 28 May 2012

CA 299(1)(c)

## Principal activities

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

- Sale, customisation and integration of IT and telecommunications systems;
- Maintenance of IT and telecommunications systems; and
- Internet based selling of hardware and software products.

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

CA 299(1)(a)

## Review of operations and financial results

The operating result of the Group has increased to \$15.4m (2011: \$13.5m); this is mainly due to the cost control measures implemented during the year which have allowed increased revenue with a lower proportionate cost base.

Additional capital raising activities were undertaken during the year which raised \$16.7m and allowed the Group to fund the Goodtech acquisition via a cash settlement as well as positioning the Group in a strong cash position for 2012 / 2013 to allow for future acquisitions, if appropriate opportunities arise.

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

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

CA 299(1)(b)

### Significant changes in the state of affairs

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

- Acquisition of Goodtech GmbH
  - On 30 September 2011, the Group acquired 100% of the equity instruments of Goodtech GmbH (Goodtech), a Hamburg (Euroland) based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the retail market for computer and telecommunications hardware in Euroland. Goodtech is a significant business in Euroland in the Group's targeted market. The cost of the acquisition was \$16.06m which was settled in cash.
- Disposal of Highstreet
  - On 31 March 2012, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Limited. The subsidiary was classified as held for sale in the 2011 financial statements. There was a loss on disposal of \$29,000.
- Issue of share capital
  - On 31 March 2012, the Group issued 1,500,000 shares as part of its capital raising program which resulted in proceeds of \$16.7m, each share has the same terms and conditions as the existing ordinary shares.

### Dividends

CA 300(1)(a)

In respect of the current year, a fully franked interim dividend of \$3,000,000 (25c per share) was paid on 31 March 2012 (2011: \$nil).

CA 300(1)(b)

In addition to the interim dividend and since the end of the financial year, directors have declared a fully franked final dividend of \$6,885,000 (50c per share) to be paid on 15 October 2012 (2011: \$nil).

CA 299(1)(d)

### Events arising since the end of the reporting period

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

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

### Likely developments

CA 299(1)(e)

Information on likely developments in the Group's operations and the expected results have not been included in this report because the directors believe it would likely result in unreasonable prejudice to the Group.

### Unissued shares under option

CA 300 (1)(d)

CA 300 (1)(e)

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

Date options granted	Expiry date	Exercise price of shares (\$)	Number under option
5 July 2007	31 July 2012	5.74	90,749
1 July 2008	30 June 2013	6.24	29,175
1 August 2011	30 June 2016	7.61	100,000
			219,924

All options expire on the earlier of their expiry date or termination of the employee's employment. These options were issued under either the Star or Stay programme (described in note 21.2 to the financial statements) and have been allotted to individuals on condition that they serve specified time periods as an employee of the Group before becoming entitled to exercise the options. These options do not entitle the holder to participate in any share issue of the Company.

CA 300(1)(f)

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

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

Date options granted	Issue price of shares (\$)	Number of shares issued
1 July 2008	6.24	270,000

CA 299 (1f)

### Environmental legislation

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

CA 300 (1g)

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

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

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

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

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

CA 300(14) / (15)	<p><b>Proceedings of behalf of the Company</b></p> <p>No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.</p>
ASIC CO 98/100	<p><b>Rounding of amounts</b></p> <p>Grant Thornton CLEARR is a type of Company referred to in ASIC Class Order 98/100 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.</p>
CA 307C	<p><b>Auditor's Independence Declaration</b></p> <p>A copy of the auditor's independence declaration as required under s307C of the <i>Corporations Act 2001</i> is included in page 10 of this financial report and forms part of this Directors report.</p>
CA 298 (2a)	Signed in accordance with a resolution of the directors.
CA 298 (2c)	<p>Blake Smith</p> <p>Director</p>
CA 298 (2b)	31 August 2012

# Auditor's Independence Declaration

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To the Directors of Grant Thornton CLEARR 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 30 June 2012, 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, 31 August 2012

## Guidance Note: Consolidated Statement of Financial Position

The statement of financial position complies with AASB 101 *Presentation of Financial Statements* (Revised 2007).

If the entity; (i) applies an accounting policy retrospectively, (ii) makes a retrospective restatement of items in its financial statements, or (iii) reclassifies items in the financial statements, the entity shall present a statement of financial position as at the beginning of the earliest comparative period, i.e. an extra comparative statement of financial position at for example 1 July 2010 (AASB 101.10(f) and AASB 101.39). Grant Thornton CLEARR Example Ltd has elected to include a third statement of financial position in the current year even though it is not required by AASB 101, as there have been no retrospective changes or reclassifications of items in the financial statements (AASB 101.39). This approach allows entities to maintain a more consistent format and layout from one year to the next and may therefore save on design and printing costs.

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).

The *Example Consolidated Financial Statements 2012* use the terminology in AASB 101 (Revised 2007), 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 of 30 June 2012

AASB 101.51(c)	Assets	Notes	2012 \$'000	2011 \$'000	2010 \$'000
AASB 101.51(d-e)					
AASB 101.60, AASB 101.66	<b>Current</b>				
AASB 101.54(g)	Inventories	16	18,548	17,376	18,671
AASB 101.54(h)	Trade and other receivables	17	33,629	25,628	20,719
AASB 101.55	Derivative financial instruments	14	582	212	490
AASB 101.54(d)	Other short-term financial assets	14	655	649	631
AASB 101.54(n)	Current tax assets		-	308	-
AASB 101.54(i)	Cash and cash equivalents	18	34,789	11,237	10,007
AASB 101.60	Current assets		<u>88,203</u>	<u>55,410</u>	<u>50,518</u>
AASB 101.54(j)	Assets and disposal group classified as held for sale	19	103	3,908	-
AASB 101.60, AASB 101.66	<b>Non-current</b>				
AASB 101.57	Goodwill	9	5,041	3,537	1,234
AASB 101.54(c)	Other intangible assets	10	17,424	13,841	10,664
AASB 101.54(a)	Property, plant and equipment	11	22,439	20,647	21,006
AASB 101.54(e), AASB 128.38	Investments accounted for using the equity method	7	430	23	11
AASB 101.54(b)	Investment property	13	12,662	12,277	12,102
AASB 101.54(d)	Other long-term financial assets	14	3,765	3,880	4,327
AASB 101.54(o), AASB 101.56	Deferred tax assets	15	-	225	520
AASB 101.60	Non-current assets		<u>61,761</u>	<u>54,430</u>	<u>49,864</u>
AASB 101.55	<b>Total assets</b>		<b>150,067</b>	<b>113,748</b>	<b>100,382</b>

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

# Consolidated Statement of Financial Position

As of 30 June 2012

AASB 101.57

AASB 101.51(c)	Liabilities	Notes	2012 \$'000	2011 \$'000	2010 \$'000
AASB 101.51(d-e)					
AASB 101.60,	Current				
AASB 101.69					
AASB 101.54(l)	Provisions	22	1,215	3,345	4,400
AASB 101.55	Employee benefits	21	1,467	1,496	1,336
AASB 101.54(k)	Trade and other payables	23	9,059	7,096	7,702
AASB 101.54(m)	Borrowings	14	4,815	3,379	3,818
AASB 101.54(n)	Current tax liabilities		3,102	-	228
AASB 101.54(m)	Derivative financial instruments	14	-	160	-
AASB 101.55	Other liabilities	24	2,758	3,475	2,832
AASB 101.55	Current liabilities		<u>22,416</u>	<u>18,951</u>	<u>20,316</u>
AASB 101.54(p)	Liabilities included in disposal group held for sale	19	-	449	-
AASB 101.60,	Non-current				
AASB 101.69					
AASB 101.55	Employee benefits	21	11,224	10,812	10,242
AASB 101.54(m)	Borrowings	14	21,000	21,265	21,405
AASB 101.54(k)	Trade and other payables	23	4,096	4,608	5,002
AASB 101.55	Other liabilities	24	2,020	1,500	1,600
AASB 101.54(o),	Deferred tax liabilities	15	5,397	3,775	2,664
AASB 101.56					
AASB 101.55	Non-current liabilities		<u>43,737</u>	<u>41,960</u>	<u>40,913</u>
AASB 101.55	Total liabilities		<b>66,153</b>	<b>61,360</b>	<b>61,229</b>

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

# Consolidated Statement of Financial Position

As of 30 June 2012

		Notes	2012 \$'000	2011 \$'000	2010 \$'000
AASB 101.55	<b>Net assets</b>		83,914	52,388	39,153
	<b>Equity</b>				
	Equity attributable to owners of the parent:				
AASB 101.54(r)	Share capital		33,415	15,050	15,050
AASB 101.54®	Share option reserve		764	466	888
AASB 101.55	Other components of equity	20	621	205	888
AASB 101.54(r)	Retained earnings		48,401	36,075	22,739
			<u>83,201</u>	<u>51,796</u>	<u>38,677</u>
AASB 101.54(q)	Non-controlling interest		713	592	476
AASB 101.55	<b>Total equity</b>		<b>83,914</b>	<b>52,388</b>	<b>39,153</b>

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

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## Guidance Note: Consolidated Statement of Comprehensive Income

AASB 101 *Presentation of Financial Statements* (Revised 2007) permits the statement of comprehensive income to be presented:

- ☐ in a **single** statement of comprehensive income, or
- ☐ in **two** statements: a statement displaying components of profit or loss (separate income statement) and a statement of comprehensive income.

The example financial statements illustrate a statement of comprehensive income in a **single** statement. A two statement presentation is shown in Appendix B.

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

This statement of comprehensive income presents an 'operating profit' subtotal, which is commonly seen but is not required or defined in AASB's. Where this subtotal is provided, the figure disclosed should include items that would normally be considered to be operating. It is inappropriate to exclude items clearly related to operations (e.g. inventory write-downs and restructuring and relocation expenses) on the basis that they do not occur regularly or are unusual in amount (see AASB 101 Basis for Conclusions paragraph 56).

This statement of comprehensive income includes an amount representing the entity's share of profit from equity accounted investments. This amount represents profit after tax and non-controlling interest in those investments (as indicated in the Illustrative Financial Statement Structure in AASB 101).

AASB 101 (Revised 2007) 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 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 comprehensive income or in the notes. In this example the entity presents components of other comprehensive income before tax with one amount shown for the aggregate amount of income tax relating to all components of other comprehensive income (AASB 101.91(b)). Alternatively, the entity may present each component of other comprehensive income net of related tax effects, AASB 101.91(a). If the tax effects of each component of other comprehensive income are not presented on the face of the statement, this information shall be presented in the notes (see note 20).

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

AASB 101.51(c) AASB 101.51(d-e)		Notes	2012 \$'000	2011 \$'000
AASB 101.82(a)	Revenue	8	206,193	191,593
AASB 101.85	Other income		427	641
AASB 101.85	Changes in inventories		(7,823)	(5,573)
AASB 101.85	Costs of material		(42,634)	(40,666)
AASB 101.85	Employee benefits expense	21	(114,190)	(108,673)
AASB 101.85	Change in fair value of investment property	13	310	175
AASB 101.85	Depreciation, amortisation and impairment of non-financial assets		(7,942)	(6,061)
AASB 101.85	Other expenses		(12,722)	(12,285)
	<b>Operating profit</b>		<b>21,619</b>	<b>19,151</b>
AASB 101.82(c)	Share of profit from equity accounted investments	7	60	12
AASB 101.82(b)	Finance costs	25	(3,473)	(3,594)
AASB 101.85	Finance income	25	994	793
AASB 101.85	Other financial items	26	3,388	3,599
	<b>Profit before tax</b>		<b>22,588</b>	<b>19,961</b>
AASB 101.82(d)	Tax expense	27	(7,132)	(6,184)
	<b>Profit for the year from continuing operations</b>		<b>15,456</b>	<b>13,777</b>
AASB 101.82(e)	Loss for the year from discontinued operations	19	(9)	(325)
AASB.101.82(f)	<b>Profit for the year</b>		<b>15,447</b>	<b>13,452</b>
AASB.101.82(g)	<b>Other comprehensive income:</b>			
AASB.116.77(f)	Revaluation of land	11	303	-
	Cash flow hedging	14		
AASB 7.23(c-d)	- current year gains (losses)		367	(47)
AASB 101.92	- reclassification to profit or loss		260	(425)
	Available-for-sale financial assets	14		

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

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

		Notes	2012 \$'000	2011 \$'000
AASB 7.20(a)(ii)	- current year gains (losses)		113	35
AASB 101.92	- reclassification to profit or loss		(50)	-
AASB 121.52(b)	Exchange differences on translating foreign operations		(664)	(341)
AASB 101.82(h)	Share of other comprehensive income of equity accounted investments		5	-
AASB 101.92	- reclassification to profit or loss		(3)	-
AASB 101.90	Income tax relating to components of other comprehensive income	20	85	95
	Other comprehensive income for the period, net of tax	20	416	(683)
AASB 101.82(i)	<b>Total comprehensive income for the period</b>		<b>15,863</b>	<b>12,769</b>
Profit for the year attributable to:				
AASB 101.83(a)(i)	Non-controlling interest		121	116
AASB 101.83(a)(ii)	Owners of the parent		15,326	13,336
			<b>15,447</b>	<b>13,452</b>
Total comprehensive income attributable to:				
AASB 101.83(b)(i)	Non-controlling interest		121	116
AASB 101.83(b)(ii)	Owners of the plant		15,742	12,653
			<b>15,863</b>	<b>12,769</b>

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

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## Guidance Note: Consolidated Statement of Changes in Equity

Entities may present the required reconciliations for each component of other comprehensive income either (1) in the statement of changes in equity or (2) in the notes to the financial statements (AASB 101.106(d)(ii) and AASB 101.106A). These example financial statements present the reconciliations for each component of other comprehensive income in the notes to the financial statements (see note 19.2). This reduces duplicated disclosures and presents a clearer picture of the overall changes in equity.

AASB 2 Share-based Payment requires an entity to recognise equity-settled share-based payment transactions as changes in equity but does not specify how this is presented, e.g. in a separate reserve within equity or within retained earnings. In our view, either approach would be allowed under AASBs. Share option reserve has been credited with an increase in equity in this example (see also note 4.24).

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

		Notes	Share Capital \$'000	Share Option reserve \$'000	Other components of equity \$'000	Retained earnings \$'000	Total attributable to owners of parent \$'000	Non- controlling interest \$'000	Total equity \$'000
AASB 101.51 (d-e)									
AASB 101.106(d)	<b>Balance at 1 July 2010</b>		<b>15,050</b>	<b>-</b>	<b>888</b>	<b>22,739</b>	<b>38,677</b>	<b>476</b>	<b>39,153</b>
	Employee share-based payment options	21	-	466	-	-	466	-	466
AASB 101.106(d)(iii)	Transactions with owners		-	466	-	-	466	-	466
AASB 101.106(d)(i)	Profit for the year		-	-	-	13,336	13,336	116	13,452
AASB 101.106(d)(ii)	Other comprehensive income:	20	-	-	(683)	-	(683)	-	(683)
AASB 101.106(a)	Total comprehensive income for the year		-	-	(683)	13,336	12,653	116	12,769
AASB 101.106(d)	<b>Balance at 30 June 2011</b>		<b>15,050</b>	<b>466</b>	<b>205</b>	<b>36,075</b>	<b>51,796</b>	<b>592</b>	<b>52,388</b>
AASB 101.51(d-e)	Balance at 1 July 2011		15,050	466	205	36,075	51,796	592	52,388
AASB 101.106(d)	Dividends	29	-	-	-	(3,000)	(3,000)	-	(3,000)
	Issue of share capital under share-based payment	20	1,685	-	-	-	1,685	-	1,685
	Employee share-based payment options	21	-	298	-	-	298	-	298
	Issue of share capital	20	16,680	-	-	-	16,680	-	16,680
AASB 101.106(d)(iii)	Transactions with owners		18,365	298	-	(3,000)	15,663	-	15,663
AASB 101.106(d)(i)	Profit for the year		-	-	-	15,326	15,326	121	15,447
AASB 101.106(d)(ii)	Other comprehensive income:	20	-	-	416	-	416	-	416
AASB 101.106(a)	Total comprehensive income for the year		-	-	416	15,326	15,742	121	15,863
AASB 101.106(d)	<b>Balance at 30 June 2012</b>		<b>33,415</b>	<b>764</b>	<b>621</b>	<b>48,401</b>	<b>83,201</b>	<b>713</b>	<b>83,914</b>

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

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## **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 30 June 2012

AASB 101.51(c) AASB 101.51(d-e) AASB 107.10		Notes	2012 \$'000	2011 \$'000
	<b>Operating services</b>			
	Receipts from customers		205,909	191,751
	Payments to suppliers and employees		(177,932)	(165,999)
	Income taxes paid		(1,948)	(5,588)
	Net cash from continuing operations		26,029	20,164
	Net cash (used in) / from discontinued operations		(22)	811
	<b>Net cash from operating activities</b>	<b>30</b>	<b>26,007</b>	<b>20,975</b>
AASB 107.10	<b>Investing activities</b>			
	Purchase of property, plant and equipment		(76)	(3,281)
	Proceeds from disposals of property, plant and equipment		86	-
	Purchase of other intangible assets		(3,666)	(3,313)
	Proceeds from disposals of other intangible assets		924	-
AASB 107.39	Acquisition of subsidiaries, net of cash	<b>5</b>	(15,714)	(12,076)
AASB 107.39	Proceeds from sale of subsidiaries, net of cash	<b>5</b>	3,117	-
	Proceeds from disposals and redemptions of non-derivative financial assets		228	132
AASB 107.31	Interest received	<b>25</b>	752	447
AASB 107.31	Dividends received	<b>25</b>	62	21
AASB 107.35	Taxes paid		(244)	(140)
	<b>Net cash used in investing activities</b>		<b>(14,531)</b>	<b>(18,210)</b>
AASB 107.10	<b>Financing activities</b>			
	Proceeds from bank loans		1,441	-
	Repayment of bank loans		(3,778)	(649)
	Proceeds from issue of share capital		18,365	-
AASB 107.31	Interest paid		(1,035)	(907)
AASB 107.31	Dividends paid	<b>29</b>	(3,000)	-
	<b>Net cash from / (used in) financing activities</b>		<b>11,993</b>	<b>(1,556)</b>
AASB 107.45	Net change in cash and cash equivalents		23,469	1,209
	Cash and cash equivalents, beginning of year		11,259	10,007
AASB 107.28	Exchange differences on cash and cash equivalents		61	43
			34,789	11,259
	- Included in disposal group	<b>19</b>	-	(22)
AASB 107.45	<b>Cash and cash equivalents, end of year</b>	<b>18</b>	<b>34,789</b>	<b>11,237</b>

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

# Notes to the consolidated financial statements

## 1 Nature of operations

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

These activities are grouped into the following service lines:

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

## 2 General information and statement of compliance

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

Grant Thornton CLEARR Example Pty Ltd is the Group's ultimate parent company. Grant Thornton CLEARR Example Pty Ltd is a proprietary company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is 149a Great Place, 40237 Greatville, Australia.

The consolidated financial statements for the year ended 30 June 2012 (including comparatives) were approved and authorised for issue by the board of directors on 31 August 2012 (see note 38).

### 3 Changes in accounting policies

#### 3.1 Adoption of AASBs and improvements to AASBs 2011 – AASB 1054 and AASB 2011-1<sup>1</sup>

AASB 108.28 (a)  
AASB 108.28 (c)

The AASB has issued AASB 1054 *Australian Additional Disclosures* and 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

#### 3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group<sup>2</sup>

AASB 108.30  
AASB 108.31

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below<sup>3</sup>.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

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- 1 The discussion of the initial application of IFRSs/AASBs needs to be disclosed only in the first financial statements after the new or revised rules have been adopted by the entity.
  - 2 These example financial statements were published in May 2012 and take into account new and amended standards and interpretations published up to and including 29 February 2012. In practice, this note should reflect those new and amended standards and interpretations published up to the date the financial statements are authorised for issue. Refer to recent Grant Thornton Technical Accounting (TA) Alerts found on our website ([www.grantthornton.com.au](http://www.grantthornton.com.au)) to obtain an update to these.
  - 3 Entities wishing to early adopt an accounting standard before its operative date must make a formal, written election to do so in accordance with CA 334(5) and disclose that fact in the notes. An example of such wording is "The Directors resolved to early adopt [Name of accounting standard] for the year ended 30 June 2012 in accordance with section 334(5) of the Corporations Act."

#### AASB 9 Financial Instruments (effective from 1 January 2013)<sup>4</sup>

The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard AASB 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

The Group's management have yet to assess the impact that this new standard on the Group's consolidated financial statements. However, they do not expect to implement AASB 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

#### Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

#### AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

#### AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

#### AASB 12 Disclosure of Interests in Other Entities (AASB 12)

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

#### Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128)

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

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<sup>4</sup> . The IASB has postponed the mandatory effective date of IFRS 9 (the equivalent) until 1 January 2015.

***AASB 13 Fair Value Measurement (AASB 13)***

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

***AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income Financial Statements (AASB 101 Amendments)***

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

***Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)***

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period in other comprehensive income
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of IAS 19 is effective for financial years beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.

***AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)***

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

***Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures<sup>5</sup>***

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities. Qualitative and quantitative disclosures have been added to IFRS 7 relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are applicable for annual periods beginning on or after 1 January 2014. The Group's management have yet to assess the impact of these amendments.

#### AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 112 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met (as an addition to, or enhancement of, an existing asset). The interpretation is applicable for annual periods beginning on or after 1 January 2013. The interpretation will have no impact on the Group as it has no mining activities.

## 4 Summary of accounting policies

### 4.1 Overall considerations

AASB 101.114 (b)  
AASB 101.117 (b)

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below<sup>6</sup>.

AASB 101.117 (a)

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

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5 As at 30/04/12 the AASB had not yet made amendments to AASB 132 and AASB 7, but was expected to do so in due course.

6 Disclosure of accounting policies shall reflect the facts and circumstances of the entity. In this set of example financial statements the accounting policies reflect the activities of the fictitious entity, Grant Thornton CLEARR Example Ltd and subsidiaries. The accounting policies should therefore in all cases be tailored to the facts and circumstances in place, which may prescribe that less extensive accounting policies are disclosed for the entity.

AASB 101.117 (a)  
AASB 101.117 (b)

AASB 127.41 (a)  
AASB 127.41 (c)

#### 4.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 30 June 2012. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 30 June.

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

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

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

#### 4.3 Business combination

AASB 101.117 (a)  
AASB 101.117 (b)

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

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

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

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

#### 4.4 Investments in associates and joint ventures

AASB 131.57  
 AASB 101.117 (a)  
 AASB 101.117 (b)

Entities whose economic activities are controlled jointly by the Group and other ventures independent of the Group (joint ventures) are accounted for using the proportionate consolidation method, whereby the Group's share of the assets, liabilities, income and expenses is included line by line in the consolidated financial statements.

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

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

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

#### 4.5 Foreign currency translation

##### Functional and presentation currency

AASB 121.53

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

##### Foreign currency transactions and balances

AASB 101.117 (a)  
 AASB 101.117 (b)

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

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

##### Foreign operations

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

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into AUD at the closing rate. Income and expenses have been translated into AUD at the average rate<sup>7</sup> over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

#### 4.6 Revenue

AASB 118.35 (a)

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

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

AASB 101.117 (b)

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

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

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

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

AASB 101.117 (b)

##### Rendering of services

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

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

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

The Group also earns rental income from operating leases of its investment properties (see note 13). Rental income is recognised on a straight-line basis over the term of the lease.

AASB 101.117 (b)

Construction contracts for telecommunication solutions

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

AASB 111.39 (b)  
AASB 118.35 (a)

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

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

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

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

A construction contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date.

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

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

AASB 118.30

Interest and dividend income

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

#### 4.7 Operating expenses

AASB 101.117 (b)

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

#### 4.8 Borrowing costs

AASB 101.117 (b)

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs' (see note 25).

AASB 101.117 (b)  
AASB 5.32

#### 4.9 Profit or loss from discontinued operations

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

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

AASB 5.33

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also note 4.21), is further analysed in note 19.

AASB 5.34

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

#### 4.10 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 4.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 4.14 for a description of impairment testing procedures.

#### 4.11 Other intangible assets

AASB 101.117(b)

Recognition of other intangible assets

##### Acquired intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. Brand names and customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values (see note 4.3).

AASB 138.57

##### Internally developed software

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

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

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

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

Directly attributable costs include employee (other than directors) costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

AASB 138.118 (a)  
AASB 138.118 (b)

#### Subsequent measurement

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 4.14. The following useful lives are applied:

- Software: 3-5 years
- Brand names: 15-20 years
- Customer lists: 4-6 years.

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in note 4.14.

AASB 138.118 (d)

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

AASB 101.117 (b)

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

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

#### 4.12 Property, plant and equipment

##### Land

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

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

Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss (see note 4.14) has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

AASB 116.73 (b)

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

##### Buildings, IT equipment and other equipment

AASB 116.73 (a)  
AASB 101.117 (a)

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

Buildings and IT equipment also include leasehold property held under a finance lease (see Note 4.13). Buildings, IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

AASB 116.73 (b)  
AASB 116.73 (c)

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

- Buildings: 25-50 years
- IT equipment: 2-5 years
- Other equipment: 3-12 years.

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

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

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

#### 4.13 Leased assets

##### Finance leases

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

See note 4.12 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

##### Operating leases

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

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

AASB 101.117 (b)

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

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

AASB 101.122  
AASB 101.117 (a)

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

#### 4.15 Investment property

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

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

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

AASB 101.117 (b)

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

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

#### 4.16 Financial instruments

AASB 7.21  
AASB 101.117 (b)

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

AASB 101.117 (b)

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

AASB 101.117 (a)

### Classification and subsequent measurement of financial assets

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

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

AASB 7.B5 (f)

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

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

AASB 101.117 (a)  
AASB 101.117 (b)

### Loans and receivables

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

AASB 7.B5 (f)

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

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

### Financial assets at FVTPL

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

AASB 7.B5 (e)

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

AASB 101.117 (a)  
AASB 101.117 (b)

#### HTM investments

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

AASB 7.B5 (f)

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

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

#### AFS financial assets

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

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

AASB 101.117 (a)  
AASB 101.117 (b)

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income' (see note 4.6).

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

AASB 101.117 (b)

#### Classification and subsequent measurement of financial liabilities

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

AASB 101.117 (a)

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

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

The Group has designated some financial liabilities at FVTPL to reduce significant measurement inconsistencies between investment properties in the United States and related US-dollar bank loans with fixed interest rates. These investment properties are measured using the fair value model (see note 4.15), where changes in fair value of these assets are recognised in profit or loss. The fair value of loans used to finance these assets correlates significantly with the valuation of the investment properties held by the Group, because both measures are highly reactive to the market interest rate for 30-year government bonds. The loans are managed and evaluated on a fair value basis through a

quarterly management review in comparison with the property valuations. Therefore, the Group designates such fixed interest rate loans as at FVTPL if they are secured by specific investment property assets that are held by the Group. This accounting policy reduces significantly what would otherwise be an accounting mismatch.

AASB 101.117 (b) All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### Derivative financial instruments and hedge accounting

AASB 101.117 (b) Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

AASB 7.22 (a)  
AASB 7.22 (c) For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding sales and purchase orders denominated in foreign currency.

AASB 101.117 (a) All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

AASB 101.117 (b) To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

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

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss.

#### 4.17 Inventories

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

#### 4.18 Income taxes

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

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

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

AASB 101.117 (a) Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

AASB 101.122 Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

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

AASB 101.117 (b) Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

#### 4.19 Taxation of financial arrangements

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Group has assessed the potential impact of these changes on the Group's tax position and these are not considered to be significant. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2012 (2011: \$Nil).

#### 4.20 Cash and cash equivalents

AASB 107.46 Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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

AASB 101.117 (a)

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

AASB 101.117 (b)

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

Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations (see note 4.9).

#### 4.22 Equity, reserves and dividend payments

AASB 101.79 (b)

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

Other components of equity include the following:

- Revaluation reserve - comprises gains and losses from the revaluation of land (see note 4.12)
- Foreign currency translation reserve – comprises foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into AUD (see note 4.5)
- AFS financial assets and cash-flow hedge reserves – comprises gains and losses relating to these types of financial instruments (see note 4.16)

Retained earnings includes all current and prior period retained profits.

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

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

#### 4.23 Post-employment benefits and short-term employee benefits

AASB 101.117 (b)

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

##### Defined contribution plans

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

### Defined benefit plans

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

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

AASB 101.117 (a)

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

AASB 119.120A (a)

Actuarial gains and losses are not recognised as an expense unless the total unrecognised gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Interest expenses related to pension obligations are included in finance costs in profit or loss. Return on plan assets is included in other financial items. All other post-employment benefit expenses are included in employee benefits expense.

### Short-term employee benefits

Short-term employee benefits, including annual leave entitlement, are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

### 4.24 Share-based employee remuneration

AASB 101.117 (b)

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

AASB 101.117 (a)

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

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

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

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

AASB 101.117 (b)

#### 4.25 Provisions, contingent liabilities and contingent assets

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

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

AASB 101.117 (a)

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

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

AASB 101.117 (a)

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Interpretation 1031

#### 4.26 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

ASIC Class Order  
98/100  
AASB 101.51 (e)

#### 4.27 Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000.

#### 4.28 Significant management judgement in applying accounting policies and estimation uncertainty

AASB 101.122

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

##### Significant management judgement

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

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

Determining when to recognise revenues from after-sales services requires an understanding of the customer's use of the related products, historical experience and knowledge of the market.

Recognising construction contract revenue also requires significant judgment in determining milestones, actual work performed and the estimated costs to complete the work (see note 4.6).

##### Capitalisation of Internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see note 4.11)

##### Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see note 4.18).

##### Estimation uncertainty

AASB 101.125

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

##### Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 4.14). In 2012, the Group recognised an impairment loss on goodwill (see note 9) and internally generated software (see note 10).

##### Useful lives of depreciable assets

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

### Inventories

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

### Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see note 4.3). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see note 5.1).

### Construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty (see note 4.6).

### Defined benefit liability (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Estimation uncertainties exist particularly with regard to the assumed medical cost trends. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 21.3).

### Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 14.7)..

## 5 Acquisitions and disposals

### 5.1 Acquisition of Goodtech GmbH in 2011

AASB 3.B64 (a-d)

On 30 September 2011, the Group acquired 100% of the equity instruments of Goodtech GmbH (Goodtech), a Hamburg based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the on-line retail market for computer and telecommunications hardware in Australia. Goodtech is a significant business in the Group's targeted market.

The details of the business combination are as follows:

		\$'000
AASB 3.B64 (f)	<b>Fair value of consideration transferred</b>	
AASB 3.B64 (f)(i)	Amount settled in cash	16,058
AASB 3.B64 (f)(iii)	Fair value of contingent consideration	600
AASB 107.40(a)	<b>Total</b>	<b>16,658</b>
AASB 3.B64(i)	<b>Recognised amounts of identifiable net assets</b>	
AASB 107.40(d)	Property, plant and equipment	4,622
	Intangible assets	5,255
	Investments accounted for using the equity method	345
	Investment property	75
	Total non-current assets	10,297
	Inventories	8,995
	Trade and other receivables	7,792
	Cash and cash equivalents	567
	Total current assets	17,354
	Borrowings	(3,478)
	Deferred tax liabilities	(632)
	Total non-current assets	(4,110)
	Provisions	(1,320)
	Other liabilities	(2,312)
	Trade and other payables	(5,689)
	Total non-current liabilities	(9,321)
	Identifiable net assets	14,220
	<b>Goodwill on acquisition</b>	<b>2,438</b>
AASB 107.40(b)	Consideration transferred settled in cash	16,058
AASB 107.40(c)	Cash and cash equivalents acquired	(567)
AASB 107.42	<b>Net cash outflow on acquisition</b>	<b>15,491</b>
	Acquisition costs charged to expenses	223
	<b>Net cash paid relating to the acquisition</b>	<b>15,714</b>

## Consideration transferred

AASB 3.B64(f)(i)

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

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

The purchase agreement included an additional consideration of \$1,310,000, payable only if the average profits of Goodtech for 2012 and 2013 exceed a target level agreed by both parties. The additional consideration will be paid on 1 October 2013. The \$600,000 fair value of the contingent consideration liability initially recognised represents the present value of the Group's probability-weighted estimate of the cash outflow. It reflects management's estimate of a 50% probability that the targets will be achieved and is discounted using an interest rate of 4.4%<sup>8</sup>. As at 30 June 2012, there have been no changes in the estimate of the probable cash outflow but the liability has increased to \$620,000 due to the unwinding of the discount.

AASB 3.B64(m)

Acquisition-related costs amounting to \$223,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of comprehensive income, as part of other expenses.

## Identifiable net assets

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

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

## Goodwill

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

Goodwill of \$2,438,000 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Goodtech's workforce and expected cost synergies. Goodwill has been allocated to cash-generating units at 30 June 2012. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

## Goodtech's contribution to the Group results

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

Goodtech incurred a loss of \$20,000 for the 9 months from 30 September 2011 to the reporting date, primarily due to integration costs. If Goodtech had been acquired on 1 July 2011, revenue of the Group for 2012 would have been \$212 million, and profit for the year would have increased by \$350,000.

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8 The determination of the acquisition-date fair value of the contingent consideration should consider the expected outcome of the contingency. This example illustrates one possible approach in estimating the fair value of contingent consideration.

## 5.2 Disposal of Highstreet Ltd

On 31 March 2012, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Ltd. The subsidiary was classified as held for sale in the 2011 financial statements (see note 19).

AASB 107.40(d)  
AASB 107.40(b)

The consideration was received in 2012. The carrying amount of the net assets of Highstreet Ltd recognised at the date of disposal (31 March 2012) were as follows:

	Date of disposal \$'000
Property, plant and equipment	2,475
Total non-current assets	2,475
Inventories	1,121
Cash and cash equivalents	-
Total current assets	1,121
Provisions	(232)
Borrowings	(8)
Trade and other payables	(210)
Total current liabilities	(450)
Total net assets	3,146
Total consideration received in cash	3,117
Cash and cash equivalents disposed of	-
Net cash received	3,117

AASB 107.40(c)

AASB 107.40(a)

AASB 107.42

## 5.3 Acquisition of Good Buy Inc

AASB 3.66

AASB 3.B64(a)- (d)

On 31 December 2010, the Group acquired 100% of the equity instruments of Good Buy Inc (Good Buy), a Delaware (USA) based business, thereby obtaining control. The acquisition of Good Buy was made to enhance the Group's position as a on-line retailer for computer and telecommunication hardware in the US market.

AASB 3.B64(i)

The details of the business combination are as follows:

		<b>\$'000</b>
AASB 3.B63(f)	Fair value of consideration transferred	
AASB 3.B63(f)(i)	Amount settled in cash	12,420
AASB 107.40(a/d)	Recognised amounts of identifiable net assets	
AASB 3.B64(i)	Property, plant and equipment	3,148
AASB 107.40(d)	Intangible assets	3,005
	Total non-current assets	6,153
	Inventories	5,469
	Trade and other receivables	5,200
AASB 107.40(c)	Cash and cash equivalents	344
	Total current assets	11,013
	Deferred tax liabilities	(435)
	Non-current liabilities	(435)
	Provisions and contingent liabilities	(1,234)
	Other liabilities	(657)
	Trade and other payables	(4,989)
	Total current liabilities	(6,880)
	Net identifiable assets and liabilities	9,851
	Goodwill on acquisition	2,569
AASB 107.40(d)	Consideration transferred settled in cash	12,420
AASB 107.40(c)	Cash and cash equivalents acquired	(344)
AASB 107.42	Net cash outflow on acquisition	12,076
	Acquisition costs charged to expenses	76
	Net cash paid relating to the acquisition	12,152

#### Consideration transferred

AASB 3.B64(f)(i)

The acquisition of Good Buy was settled in cash amounting to \$12,420,000.

AASB 3.B64(m)

Acquisition-related costs amounting to \$76,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of comprehensive income, as part of 'other expenses.'

#### Identifiable net assets

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

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

## Goodwill

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

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

## Good Buy's contribution to the Group results

AASB 3.B64(q(iii))

Good Buy contributed \$400,000 to the consolidated profit for the 6 months from 1 January 2011 to 30 June 2011. If Good Buy had been acquired on 1 July 2010, revenue of the Group for 2011 would have been \$196 million. However, due to a lack of IFRS-specific data prior to the acquisition of Good Buy, pro-forma profit or loss of the combined entity for the complete 2011 reporting period cannot be determined reliably.

## 6 Jointly controlled entities

AASB 131.56

The Group owns a 50% interest in Halftime Ltd (Halftime) and is the only jointly controlled entity within the Group. Its financial statements have been incorporated into the consolidated financial statements using the proportionate consolidation method. The aggregate amounts relating to Halftime Ltd are as follows:

	2012 \$'000	2011 \$'000	2010 \$'000
Non-current assets	300	250	245
Current assets	310	190	189
Total assets	610	440	434
Non-current liabilities	(50)	(40)	(45)
Current liabilities	(150)	(125)	(129)
Total liabilities	(200)	(165)	(174)
Income	400	389	385
Expenses	(320)	(321)	(322)

## 7 Investments in associates

AASB 128.37(e)

The Group holds a 25% voting and equity interest in Equipe Consultants S.A. which provides support to the Group's consulting activities. As from 30 September 2011 the Group holds a 30% voting and equity interest in Shopmore GmbH, acquired through acquisition of Goodtech (see note 5.1). The investments are accounted for under the equity method. Both associates have a reporting date of 30 June.

AASB 128.37(a)

The shares are not publicly listed on a stock exchange and hence published price quotes are not available. The aggregate amounts of certain financial information of the associates can be summarised as follows:

AASB 128.37(b)

	2012 \$'000	2011 \$'000	2010 \$'000
Assets	4,698	470	408
Liabilities	(3,247)	(380)	(365)
Revenues	1,710	560	510
Profit (loss)	256	49	(10)
Profit attributable to the Group	60	12	(2)

AASB 128.37(f) Dividends are subject to the approval of at least 51% of all shareholders of the associates. During 2011 and 2012 the Group received no dividends.

## 8 Revenue

AASB118.35(b) The Group's revenue may be analysed as follows for each major product and service category (excluding revenue from discontinued operations):

	2012 \$'000	2011 \$'000
Sale of hardware	47,585	39,145
Sale of software	24,513	20,165
Other	4,079	4,121
AASB 118.35(b)(i) <b>Sale of goods</b>	<b>76,177</b>	<b>63,431</b>
After-sales service and maintenance	18,140	17,832
Consulting	59,837	60,116
AASB 111.39(a) Construction contracts for telecommunications solutions	50,973	49,186
AASB 140.75(f) Rental income	1,066	1,028
AASB 118.35(b)(ii) <b>Rendering of services</b>	<b>130,016</b>	<b>128,162</b>
<b>Group revenue</b>	<b>206,193</b>	<b>191,593</b>

## 9 Goodwill

AASB 3.B67(d) The movements in the net carrying amount of goodwill are as follows:

	2012 \$'000	2011 \$'000	2010 \$'000
AASB 3.B67(d) <b>Gross carrying amount</b>			
AASB 3.B67(d)(i) Balance 1 July	3,727	1,234	1,234
AASB 3.B67(d)(ii) Acquired through business combination	2,438	2,569	-
AASB 3.B67(d)(vi) Net exchange difference	(135)	(76)	-
AASB 3.B67(d)(viii) Balance 30 June	6,030	3,727	1,234
<b>Accumulated impairment</b>			
AASB 3.B67(d)(i) Balance 1 July	(190)	-	-
AASB 3.B67(d)(v) Impairment loss recognised	(799)	(190)	-
AASB 3.B67(d)(viii) Balance 30 June	(989)	(190)	-
<b>Carrying amount at 30 June</b>	<b>5,041</b>	<b>3,537</b>	<b>1,234</b>

## Impairment testing

AASB 136.134 For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	2012 \$'000	2011 \$'000	2010 \$'000
AASB 136.134(a) Retail	4,796	2,493	-
Consulting	245	1,044	1,234
<b>Goodwill allocation at 30 June</b>	<b>5,041</b>	<b>3,537</b>	<b>1,234</b>

AASB 136.134(c)  
AASB 136.134(d)

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

AASB 136.134(d)(iv)  
AASB 136.134(d)(v)

	Growth Rates			Discount Rates		
	2012	2011	2010	2012	2011	2010
Retail	3.0%	3.0%	-	9.3%	9.5%	-
Consulting	0.1%	0.5%	2.4%	10.9%	10.1%	9.5%

#### Growth rates

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

#### Discount rates

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

#### Cash flow assumptions

##### Retail segment

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

##### Consulting

The forecast was adjusted in 2011 for the decline in consulting services related to conventional telecommunication solutions. The market shifted considerably towards internet and intranet based solutions during 2011 and continued in 2012. As a result, management expects lower growth and moderately declining profit margins for this segment.

Impairment testing, taking into account these latest developments, resulted in the further reduction of goodwill in 2012 to its recoverable amount. See note 10 for the related impairment of other intangible assets.

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

The related goodwill impairment loss of \$799,000 in 2012 (2011: \$190,000) was included within depreciation, amortisation and impairment of non-financial assets.

AASB 136.134(f)  
AASB 101.125

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

## 10 Other intangible assets

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

		Acquired software licenses \$'000	Internally developed software \$'000	Brand names \$'000	Customer lists \$'000	Total \$'000
AASB 138.118	<b>Gross carrying amount</b>					
	Balance at 1 July 2011	13,608	14,794	760	374	29,536
AASB 138.118(e)(i)	Addition, separately acquired	440	-	-	-	440
	Addition, internally developed	-	3,306	-	-	3,306
	Acquisition through business combination	3,653	-	215	1,387	5,255
AASB 138.118(e)(ii)	Disposals	(1,159)	-	-	-	(1,159)
AASB 138.118(e)(vii)	Net exchange differences	(73)	(54)	-	-	(127)
	Balance at 30 June 2012	16,469	18,046	975	1,761	37,251
	<b>Amortisation and impairment</b>					
	Balance at 1 July 2011	(6,063)	(9,381)	(162)	(89)	(15,695)
AASB 138.118(e)(vi)	Amortisation	(1,978)	(1,315)	(125)	(110)	(3,528)
AASB 138.118(e)(iv)	Impairment losses	-	(870)	-	-	(870)
AASB 138.118(e)(ii)	Disposals	350	-	-	-	350
AASB 138.118(e)(vii)	Net exchange differences	(48)	(36)	-	-	(84)
	Balance at 30 June 2012	(7,739)	(11,602)	(287)	(199)	(19,827)
	<b>Carrying amount 30 June 2012</b>	<b>8,730</b>	<b>6,444</b>	<b>688</b>	<b>1,562</b>	<b>17,424</b>
AASB 138.118	<b>Gross Carrying amount</b>					
	Balance at 1 July 2010	8,672	14,600	-	-	23,272
AASB 138.118(e)(i)	Addition, separately acquired	3,097	-	-	-	3,097
	Addition, internally developed	-	216	-	-	216
	Acquisition through business combination	1,859	-	768	378	3,005
AASB 138.118(e)(vii)	Net exchange differences	(20)	(22)	(8)	(4)	(54)
	Balance at 30 June 2011	13,608	14,794	760	374	29,536
	<b>Amortisation and impairment</b>					
	Balance at 1 July 2010	(4,442)	(8,166)	-	-	(12,608)
AASB 138.118(e)(vi)	Amortisation	(1,607)	(1,201)	(156)	(87)	(3,051)
AASB 138.118(e)(vii)	Net exchange differences	(14)	(14)	(6)	(2)	(36)
	Balance at 30 June 2011	(6,063)	(9,381)	(162)	(89)	(15,695)
	<b>Carrying amount 30 June 2011</b>	<b>7,545</b>	<b>5,413</b>	<b>598</b>	<b>285</b>	<b>13,841</b>
	<b>Carrying amount 30 June 2010</b>	<b>4,230</b>	<b>6,434</b>	<b>-</b>	<b>-</b>	<b>10,664</b>

AASB 138.126

Additions to internally developed software include capitalised borrowing costs of \$80,000 (2011: \$78,000). In addition, research and development costs of \$1,690,000 (2011: \$1,015,000) were recognised as other expenses.

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

An impairment loss of \$870,000 (2011: Nil) was recognised for internally developed software used to provide certain after-sales and maintenance services within the consulting unit. The recoverable amount of the asset is its value-in-use, determined based on management's expectation that the market will shift considerably towards other alternative software products and will significantly reduce future revenues and profits in the next two to three years (see note 9 for the growth and discount rates used). Should the shift in the market to other software products occur more rapidly, the carrying amount of the software of \$100,000 (2011: \$970,000) would be reduced to \$Nil.

AASB 138.118(d)  
AASB 136.126(a)

All amortisation and impairment charges (or reversals if any) are included within depreciation, amortisation and impairment of non-financial assets.

## 11 Property, plant and equipment

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

		Land \$'000	Buildings \$'000	IT equipment \$'000	Other equipment \$'000	Total \$'000
	<b>Gross carrying amount</b>					
AASB 116.73(d)	Balance 1 July 2011	7,697	19,362	5,579	2,594	35,232
AASB 116.73(e)(i)	Additions	-	76	-	-	76
AASB 116.73(e)(iii)	Acquisition through business combination	730	1,221	2,306	365	4,622
AASB 116.73(e)(ii)	Disposals	-	(401)	-	-	(401)
AASB 116.73(e)(iv)	Revaluation increase	303	-	-	-	303
AASB 116.73(e)(viii)	Net exchange differences	(21)	(81)	(79)	(54)	(235)
AASB 116.73(d)	Balance 30 June 2012	8,709	20,177	7,806	2,905	39,597
	<b>Depreciation and impairment</b>					
AASB 116.73(d)	Balance 1 July 2011	-	(12,159)	(1,503)	(923)	(14,585)
AASB 116.73(e)(ii)	Disposals	-	315	-	-	315
AASB 116.73(e)(viii)	Net exchange differences	-	(54)	(53)	(36)	(143)
AASB 116.73(e)(vii)	Depreciation	-	(1,315)	(890)	(540)	(2,745)
AASB 116.73(d)	Balance 30 June 2012	-	(13,213)	(2,446)	(1,499)	(17,158)
	<b>Carrying amount 30 June 2012</b>	<b>8,709</b>	<b>6,964</b>	<b>5,360</b>	<b>1,406</b>	<b>22,439</b>

		Land	Buildings	IT equipment	Other equipment	Total
	<b>Gross carrying amount</b>					
AASB 116.73(d)	Balance 1 July 2010	7,697	23,067	4,316	1,226	36,306
AASB 116.73(e)(i)	Additions	-	1,001	1,390	890	3,281
AASB 116.73(e)(iii)	Acquisition through business combination	-	-	2,310	838	3,148
AASB 116.73(e)(ii)	Held for sale or included in disposal group	-	(4,598)	(2,422)	(348)	(7,368)
AASB 116.73(e)(viii)	Net exchange differences	-	(108)	(15)	(12)	(135)
AASB 116.73(d)	Balance 30 June 2011	7,697	19,362	5,579	2,594	35,232
	<b>Depreciation and impairment</b>					
AASB 116.73(d)	Balance 1 July 2010	-	(12,944)	(1,805)	(551)	(15,300)
AASB 116.73(e)(viii)	Net exchange differences	-	(72)	(10)	(8)	(90)
AASB 116.73(e)(ii)	Held for sale or included in disposal group	-	3,200	990	200	4,390
AASB 116.73(e)(vii)	Depreciation	-	(2,343)	(678)	(564)	(3,585)
AASB 116.73(d)	Balance 30 June 2011	-	(12,159)	(1,503)	(923)	(14,585)
	<b>Carrying amount 30 June 2011</b>	<b>7,697</b>	<b>7,203</b>	<b>4,076</b>	<b>1,671</b>	<b>20,647</b>
	<b>Carrying amount 30 June 2010</b>	<b>7,697</b>	<b>10,123</b>	<b>2,511</b>	<b>675</b>	<b>21,006</b>

AASB 116.77(a)  
AASB 116.77(b)  
AASB 116.77(c)  
AASB 116.77(d)

The Group's land was re-valued on 23 April 2012 by independent valuers. The land was previously re-valued in April 2010. Fair values were estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land.

Land with a value of \$730,000, recognised upon the acquisition of Goodtech (see note 5.1) was not re-valued to fair value at the reporting date. Management determined that the effect of changes in market prices between the acquisition and reporting dates is immaterial.

AASB 116.77(e)  
AASB 116.77(f)

If the cost model had been used, the carrying amounts of the re-valued land, including the fair value adjustment upon acquisition of Goodtech, would be \$7,421,000 (2011 and 2010: \$6,712,000). The re-valued amounts include a revaluation surplus of \$1,288,000 before tax (2011 and 2010: \$985,000), which is not available for distribution to the shareholders of Grant Thornton CLEARR.

AASB 136.126(a)  
AASB 136.126(b)

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

AASB 116.74(a)

Land and buildings have been pledged as security for the Group's other bank borrowings (see note 14.5).

## 12 Leases

### 12.1 Finance leases as lessee

AASB 117.31(a)

The Group's main warehouse and related facilities and certain IT equipment are held under finance lease arrangements. As of 30 June 2012 the net carrying amount of the warehouse and related facilities held under finance lease arrangements (included as part of buildings) is \$3,362,000 (2011: \$3,723,000; 2010: \$4,151,000); and the net carrying amount of the IT equipment held under finance lease arrangements (included as part of IT equipment) is \$231,000 (2011: \$480,000; 2010: \$589,000) (see note 11). Finance lease liabilities (see note 23) are secured by the related assets held under finance leases. Future minimum finance lease payments at the end of each reporting period under review were as follows:

		Minimum lease payments due		
		Within 1	1 to 5 years	After 5
		year		years
		\$'000	\$'000	\$'000
				Total
				\$'000
<b>30 June 2012</b>				
AASB 117.31(b)	Lease payments	727	1,415	3,539
	Finance charges	(215)	(330)	(528)
	<b>Net present values</b>	<b>512</b>	<b>1,085</b>	<b>3,011</b>

#### 30 June 2011

AASB 117.31(b)

	Lease payments	726	1,432	4,072
	Finance charges	(220)	(336)	(560)
	<b>Net present values</b>	<b>506</b>	<b>1,096</b>	<b>3,512</b>

#### 30 June 2010

AASB 117.31(b)

	Lease payments	828	1,429	4,531
	Finance charges	(230)	(337)	(621)
	<b>Net present values</b>	<b>598</b>	<b>1,092</b>	<b>3,910</b>

AASB 117.31(e)

The lease agreement for the main warehouse includes fixed lease payments and a purchase option at the end of the 10 year lease term. The agreement is non-cancellable but does not contain any further restrictions.

### 12.2 Operating leases as lessee

The Group leases an office and production building under an operating lease. The future minimum lease payments are as follows:

		Minimum lease payments due		
		Within 1	1 to 5 years	After 5
		year		years
		\$'000	\$'000	\$'000
				Total
				\$'000
AASB 117.35(a)	30 June 2012	4,211	12,567	25,678
	30 June 2011	3,431	12,100	24,342
	30 June 2010	3,362	11,858	23,855

AASB 117.35(c)

AASB 117.35(b)

Lease expense during the period amounted to \$3,568,000 (2011: \$3,398,000) representing the minimum lease payments.

AASB 117.35(d)

The rental contract has a non-cancellable term of 15 years. The building was subject to a sale and lease back transaction in 2003. A related gain was included in other liabilities (see note 24) and is being amortised over the remaining lease term.

### 12.3 Operating leases as lessor

The Group leases out investment properties on operating leases (see note 13).

## 13 Investment property

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

AASB 140.75(d) The fair values of investment properties were estimated using observable data on recent transactions and rental yields for similar properties. Changes to the carrying amounts are as follows:

		<b>\$'000</b>
AASB 140.76	<b>Carrying amount 1 July 2010</b>	<b>12,102</b>
AASB 140.76(e)	Net exchange differences	25
AASB 140.76(d)	Net gain (loss) from fair value adjustments	150
AASB 140.76	<b>Carrying amount 30 June 2011</b>	<b>12,277</b>
	Additions:	
AASB 140.76(b)	- through business combinations	75
AASB 140.76(e)	Net exchange differences	22
AASB 140.76(d)	Net gain (loss) from fair value adjustments	288
AASB 140.76	<b>Carrying amount 30 June 2012</b>	<b>12,662</b>

AASB 140.75(g) Investment properties valued at \$8,327,000 are pledged as security for related borrowings.

AASB 140.75(f)  
AASB 117.56(b) All properties are leased out on operating leases. Rental income amounts to \$1,066,000 (2011: \$1,028,000) included within revenue. Direct operating expenses of \$213,000 (2011: \$206,000) were reported within other expenses, of which \$18,000 (2011: \$12,000) was incurred on vacant properties that did not generate rental income.

AASB 117.56(c)  
AASB 117.56(a) The lease contracts are all non-cancellable for 8 years from the commencement of the lease. Future minimum lease rentals are as follows:

		<b>Minimum lease payments due</b>			
		<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>After 5 years</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
AASB 117.56(a)	30 June 2012	1,075	5,375	2,090	8,540
	30 June 2011	1,030	5,150	1,978	8,158
	30 June 2010	1,009	5,047	1,938	7,994

## 14 Financial assets and liabilities

### 14.1 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

		Notes	2012 \$'000	2011 \$'000	2010 \$'000
	<b>Financial assets</b>				
AASB 7.8(b)	HTM investments				
	Bonds	14.2	2,814	2,992	3,124
AASB 7.8(d)	AFS financial assets				
	Securities and debentures	14.2	951	888	1,203
AASB 7.8(a)(ii)	Financial assets held for trading(carried at FVTPL)				
	Other short-term financial assets	14.3	655	649	631
	Derivative financial instruments	14.4	115	212	178
			770	861	809
AASB 7.7	Derivatives designated as cash flow hedging instruments (carried at fair value)				
	Derivative financial instruments	14.4	467	-	312
AASB 7.8(c)	Loans and receivables				
	Trade and other receivables	17	30,945	23,441	18,873
	Cash and cash equivalents	18	34,789	11,237	10,007
			65,734	34,678	28,880
	<b>Financial liabilities</b>				
AASB 7.8(e)(i)	Financial liabilities designated at FVTPL:				
	Non-current borrowings	14.5	7,700	7,965	8,105
	Current borrowings	14.5	250	255	275
			7,950	8,220	8,380
AASB 7.8(f)	Financial liabilities measured at amortised cost:				
	Non current:				
	Borrowings	14.5	13,300	13,300	13,300
	Current:				
	Borrowings	14.5	4,565	3,124	3,543
	Trade and other payables	23	8,547	6,590	7,104
			26,412	23,014	23,947
AASB 7.7	Derivatives designated as cash flow hedging instruments (carried at fair value)				
	Derivative financial instruments	14.4	-	160	-

AASB 7.27(a)  
AASB 7.33

See note 4.16 for a description of the accounting policies for each category of financial instruments. Information relating to fair values are presented in the related notes. The methods used to measure fair value are described in note 14.6. A description of the Group's financial instrument risk, including risk management objectives and policies is given in note 34.

## 14.2 Other long-term financial assets

Other long-term financial assets include the following investments:

		2012	2011	2010
		\$'000	\$'000	\$'000
AASB 7.8(b)	HTM investments:			
	Bonds	2,814	2,992	3,124
AASB 7.8(d)	AFS financial assets:			
	Securities and debentures	951	888	1,203
	Other long-term financial assets	<b>3,765</b>	<b>3,880</b>	<b>4,327</b>

AASB 7.7

### Bonds

HTM financial assets comprise zero coupon and US straight bonds with fixed interest rates between 5.5% and 6.2%. They mature in 2013 and 2014. The carrying amounts, measured at amortised cost, and fair values of these financial assets are as follows:

		2012	2011	2010
		\$'000	\$'000	\$'000
AASB 7.8(b)	Carrying amount at amortised cost:			
	Zero coupon bonds	1,110	1,189	1,250
	US straight bonds	1,704	1,803	1,874
AASB 7.8(b)	Carrying amount	<b>2,814</b>	<b>2,992</b>	<b>3,124</b>
	Fair value:			
AASB 7.25	Zero coupon bonds	1,190	1,186	1,246
	US straight bonds	1,705	1,809	1,750
	Fair value	<b>2,895</b>	<b>2,995</b>	<b>2,996</b>

AASB 7.27(a)  
AASB 7.27(b)

These bonds are publicly traded, and fair values have been estimated by reference to their quoted bid prices at their reporting date. The fair value valuation for the US straight bonds also reflects the US-dollar spot rate as at the reporting date.

AASB 7.36(a),(c)  
AASB 7.IG23(a)

See note 34 for information on the Group's exposure to credit risk related to the bonds.

## Securities and debentures

The carrying amounts of AFS financial assets are as follows:

		<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
AASB 7.25	Listed equity securities	421	343	330
	Investment in XY Ltd	433	433	783
AASB 7.25	Listed debentures	97	112	90
AASB 7.8(d)	Carrying amount	<b>951</b>	<b>888</b>	<b>1,203</b>

Other than the investment in XY Ltd, the assets are stated at fair value. The equity securities and debentures are denominated in AUD and are publicly traded in Australia.

AASB 7.30(a)-(e)

The investment in XY Ltd represents a 15% equity interest in an unlisted company, one of the Group's suppliers. XY Ltd is undertaking a major restructuring process since 2011, which has triggered possible litigation by third parties. Due to these uncertainties, the fair value of the Group's investment in this entity cannot be reliably measured. Therefore, it has been stated at cost less impairment charges. In 2011, an impairment charge of \$350,000 was recognised within finance cost. The Group plans to continue to hold its investment in XY Ltd while it secures other supply lines.

## 14.3 Other short-term financial assets

In the reporting periods under review, other short-term financial assets include various investments in money market funds considered to be held for short-term trading.

		<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
AASB 7.8(a)(ii)	Financial assets held for trading (carried at fair value through profit or loss):			
AASB 7.5	Money market funds	<b>655</b>	<b>649</b>	<b>631</b>

Money market funds are carried at fair value. All of these money market funds are publicly traded on stock exchanges in Australia.

#### 14.4 Derivative financial instruments

The carrying amounts for the Group's derivative financial instruments may be further analysed as follows:

		2012	2011	2010
		\$'000	\$'000	\$'000
AASB 7.22(b)	<b>Fair value:</b>			
	US-Dollar forward contracts – cash flow hedge	467	-	312
	Other forward exchange contracts – held-for-trading	115	212	178
	<b>Derivative financial assets</b>	<b>582</b>	<b>212</b>	<b>490</b>
	US-Dollar forward contracts – cash flow hedge	-	(160)	-
	<b>Derivative financial liabilities</b>	<b>-</b>	<b>(160)</b>	<b>-</b>
	<b>Net fair value of derivatives</b>	<b>582</b>	<b>52</b>	<b>490</b>

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

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast sales in US dollars and other currencies. All US-dollar forward exchange contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

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

AASB 7.23(a)  
AASB 7.23(b)

The Group's US-dollar forward contracts relate to cash flows that have been forecast for March-June 2013. All forecast transactions for which hedge accounting has been used are expected to occur.

AASB 7.23(c)

During 2012, a gain of \$367,000 was recognised in other comprehensive income (2011: a loss of \$47,000). The cumulative amount recorded in equity is \$467,000 (2011: cumulative loss of \$160,000; 2010: cumulative gain of \$312,000).

AASB 7.23(d)  
AASB 7.23(e)

During 2012, a loss of \$260,000 (2011: net gain of \$425,000) was reclassified from equity into profit or loss within revenue.

#### 14.5 Borrowings

Borrowings include the following financial liabilities:

	Current			Non-current		
	2012 \$'000	2011 \$'000	2010 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
AASB 7.8(e)(i) Financial liabilities designated at FVTPL						
US-Dollar loans	250	255	275	7,700	7,965	8,105
AASB 7.8(f) Financial liabilities measured at amortised cost:						
Other bank borrowings	4,565	3,124	3,543	-	-	-
Non-convertible bond	-	-	-	8,300	8,300	8,300
Subordinated shareholder loan	-	-	-	5,000	5,000	5,000
<b>Total carrying amounts</b>	<b>4,815</b>	<b>3,379</b>	<b>3,818</b>	<b>21,000</b>	<b>21,265</b>	<b>21,405</b>

AASB 7.25 Other than the US-dollar loans, all borrowings are denominated in AUD. Estimated fair values are as follows:

	Fair Value			Carrying amount		
	2012 \$'000	2011 \$'000	2010 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
US-Dollar loans at FVTPL	7,950	8,220	8,380	7,950	8,220	8,380
Other bank borrowings	4,565	3,124	3,543	4,565	3,124	3,453
Non-convertible bond	8,259	8,383	8,466	8,300	8,300	8,300
Subordinated shareholder loan	4,975	5,050	5,100	5,000	5,000	5,000
<b>Total borrowings</b>	<b>25,749</b>	<b>24,777</b>	<b>25,489</b>	<b>25,815</b>	<b>24,644</b>	<b>25,223</b>

AASB 7.27 Fair values of long-term financial liabilities have been determined by calculating their present values at the reporting date, using fixed effective market interest rates available to the Group. Except for the US-dollar loans, no fair value changes have been included in profit or loss for the period as financial liabilities are carried at amortised cost in the statement of financial position.

#### US-dollar loans at FVTPL

US-dollar loans are designated at FVTPL to significantly reduce measurement inconsistencies (see note 4.16). The interest rate is fixed at 4%. Movements in the carrying amount of these US-dollar loans are presented below:

	2012 \$'000	2011 \$'000	2010 \$'000
<b>Carrying amount 1 July</b>	<b>8,220</b>	<b>8,380</b>	<b>8,690</b>
Repayments	(300)	(230)	(315)
New borrowings	-	-	-
Change in fair values:			
AASB 7.10(a) Changes in credit risk	-	-	-
Other market factors	30	70	5
<b>Carrying amount 30 June</b>	<b>7,950</b>	<b>8,220</b>	<b>8,380</b>

AASB 7.10(a) AASB 7.11(a)	The cumulative changes since designation attributable to changes in credit risk are \$Nil (2011 and 2010: \$Nil). The Group estimates the credit-risk related change in fair value on a residual basis, as the difference between fair value-changes specifically attributable to interest rates and foreign exchange rates and the total change in fair value. At year-end the estimate shows an insignificant change attributable to credit risk.
AASB 7.10(b)	The total undiscounted amount repayable at maturity in respect of the loan, converted at year-end exchange rates is \$7,755,000 (2011: \$8,055,000; 2010: \$8,285,000), equivalent to a difference between the carrying amount and the amount repayable of \$195,000 (2011: \$165,000; 2010: \$95,000).
AASB 7.27	The fair value of the loans is measured as described in note 14.6.
AASB 116.74(a) AASB 7.31	<p>Borrowings at amortised cost</p> <p>Other bank borrowings are secured by land and buildings owned by the Group (see note 11). Current interest rates are variable and average 4.0 % (2011: 4.1%; 2010: 4.2%).</p>
AASB 7.31	The Group's non-convertible bond with a fixed interest rate of 5.0% matures on 20 November 2014 and is therefore classified as non-current.
AASB 124.17	The subordinated shareholder loan was provided by Grant Thornton CLEARR's main shareholder, the LOM Investment Trust in 2008. It is perpetual and carries a fixed coupon of 4.0%. It is repayable only upon liquidation of Grant Thornton CLEARR.

#### 14.6 Financial instruments measured at fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The hierarchy of the fair value measurement of the Group's financial assets and financial liabilities are as follows:

AASB 7.27B(a)

<b>30 June 2012</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>					
Listed securities and debentures	a)	518	-	-	518
Money market funds	a)	655	-	-	655
US-Dollar contracts - cash flow hedge	b)	-	467	-	467
Other forward exchange contracts – held-for-trading	b)	-	94	21	115
<b>Total</b>		<b>1,173</b>	<b>561</b>	<b>21</b>	<b>1,755</b>
<b>Liabilities</b>					
US-Dollar loans	c)	-	(7,950)	-	(7,950)
Contingent consideration	d)	-	-	(620)	(620)
<b>Total</b>		<b>-</b>	<b>(7,950)</b>	<b>(620)</b>	<b>(8,570)</b>
<b>Net fair value</b>		<b>1,173</b>	<b>(7,389)</b>	<b>(599)</b>	<b>(6,815)</b>

AASB 7.27B(a)

<b>30 June 2011</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>					
Listed securities and debentures	a)	455	-	-	455
Money market funds	a)	649	-	-	649
Other forward exchange contracts – held-for-trading	b)	-	184	28	212
<b>Total</b>		<b>1,104</b>	<b>184</b>	<b>28</b>	<b>1,316</b>
<b>Liabilities</b>					
US-Dollar forward contracts – cash flow hedge	b)	-	(160)	-	(160)
US-Dollar loans	c)	-	(8,220)	-	(8,220)
<b>Total</b>		<b>-</b>	<b>(8,380)</b>	<b>-</b>	<b>(8,380)</b>
<b>Net fair value</b>		<b>1,104</b>	<b>(8,196)</b>	<b>28</b>	<b>(7,064)</b>

AASB 7.27B(a)

<b>30 June 2010</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>					
Listed securities and debentures	a)	420	-	-	420
Money market funds	a)	631	-	-	631
US-Dollar contracts - cash flow hedge	b)	-	312	-	312
Other forward exchange contracts – held-for-trading	b)	-	144	34	178
<b>Total</b>		<b>1,051</b>	<b>456</b>	<b>34</b>	<b>1,541</b>
<b>Liabilities</b>					
US-Dollar loans	c)	-	(8,380)	-	(8,380)
<b>Total</b>		<b>-</b>	<b>(8,380)</b>	<b>-</b>	<b>(8,380)</b>
<b>Net fair value</b>		<b>1,051</b>	<b>(7,924)</b>	<b>34</b>	<b>(6,839)</b>

## Measurement of fair value

AASB 7.27 The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a Listed securities, debentures and money market funds

AASB 7.27(a)  
AASB 7.27(b) Fair values have been determined by reference to their quoted bid prices at the reporting date.

b Foreign currency forward contracts

AASB 7.27(a)  
AASB 7.27(b) The Group's foreign currency forward contracts are not traded in active markets. The fair values of most of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates and are included in Level 2 of the fair value hierarchy. However, a few of the Group's derivative positions in foreign currency forward contracts relate to currencies for which markets are less developed and observable market data are not available. For these contracts, management uses its best estimate about the assumptions that market participants would make. These contracts are therefore classified within Level 3.

c US-dollar loans

AASB 7.27(a)  
AASB 7.27(b) The fair value of the US-dollar loans are estimated using a valuation technique. All significant inputs into the model are based on observable market prices, e.g. market interest rates of similar loans with similar risk. The interest rate used for this calculation is 3.9%.

d Contingent consideration

AASB 7.27(a)  
AASB 7.27(b) The fair value of contingent consideration related to the acquisition of Goodtech (see note 5.1) is estimated using a valuation technique. Significant inputs into the model are based on management's assumption of the expected cash outflow and a discount rate of 4.4%.

## Level 3 fair value measurements

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

		Foreign currency forward contracts		Contingent consideration	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
AASB 7.27B(c)	Opening balance	28	34	-	-
	Gains or losses recognised in:				
AASB 7.27B(c)(i)	- Profit or loss (a)	23	18	(20)	-
AASB 7.27B(c)(ii)	- Other comprehensive income	-	-	-	-
AASB 7.27B(c)(iii)	Settlements	(30)	(24)	-	-
AASB 7.27B(c)(iii)	Arising from a business combination	-	-	(600)	-
AASB 7.27B(c)	Closing balance	21	28	(620)	-

AASB 7.27B(d)

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

	Foreign currency forward contracts		Contingent consideration	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Assets held at the end of the reporting period	21	28	(20)	-
Assets not held at the end of the reporting	2	(10)	-	-
Total gains or losses	23	18	(20)	-

AASB 7.27B(e)

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

## 15 Deferred tax assets and liabilities

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

AASB 112.81(g)	Deferred tax liabilities (assets)	1 July 2011 \$'000	Recognised in other comprehensive income \$'000	Recognised in business combination \$'000	Recognised in profit and loss \$'000	30 June 2012 \$'000
	<b>Non-current assets</b>					
	Other intangible assets	847	(63)	444	30	1,258
	Property, plant and equipment	2,130	(22)	188	406	2,702
	Other long term financial assets	(95)	-	-	19	(76)
	Investment property	1,914	-	-	93	2,007
	<b>Current assets</b>					
	Trade and other receivables	(168)	-	-	38	(130)
	<b>Non-current liabilities</b>					
	<b>Current liabilities</b>					
	Provisions	(1,003)	-	-	639	(364)
	Unused tax losses	(75)	-	-	75	-
		3,550	(85)	632	1,300	5,397
	Recognised as:					
	<b>Deferred tax asset</b>	<b>(225)</b>				<b>-</b>
	<b>Deferred tax liability</b>	<b>3,775</b>				<b>5,397</b>

AASB 112.81(g)	Deferred tax liabilities (assets)	1 July 2010 \$'000	Recognised in other comprehensive income \$'000	Included in disposal group \$'000	Recognised in business combination \$'000	Recognised in profit and loss \$'000	30 June 2011 \$'000
	<b>Non-current assets</b>						
	Other intangible assets	409	(27)	-	210	255	847
	Property, plant and equipment	1,528	(68)	-	225	445	2,130
	Other long term financial assets	-	-	-	-	(95)	(95)
	Investment property	1,861	-	-	-	53	1,914
	<b>Current assets</b>						
	Trade and other receivables	(34)	-	-	-	(134)	(168)
	<b>Non-current liabilities</b>						
	<b>Current liabilities</b>						
	Provisions	(1,320)	-	74	-	243	(1,003)
	Unused tax losses	(300)	-	-	-	225	(75)
		<u>2,144</u>	<u>(95)</u>	<u>74</u>	<u>435</u>	<u>992</u>	<u>3,550</u>
	Recognised as:						
	<b>Deferred tax asset</b>	<u>(520)</u>					<u>(225)</u>
	<b>Deferred tax liability</b>	<u>2,664</u>					<u>3,775</u>

The amounts recognised in other comprehensive income relate to revaluation of land and exchange differences on translating foreign operations. See note 20.2 for the amount of the income tax relating to these components of other comprehensive income.

AASB 112.81(f) A deferred tax liability of \$1,000 (2011 and 2010: \$2,000) associated with an investment in a domestic subsidiary has not been recognised, as the Group controls the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future. The tax value is equivalent to a temporary difference of \$3,000 (2011 and 2010: \$7,000).

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

## 16 Inventories

Inventories consist of the following:

AASB 101.77		<b>2012</b>	<b>2011</b>	<b>2010</b>
AASB 101.78(c)		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
AASB 102.36(b)	Raw materials and consumables	7,737	7,907	7,710
	Merchandise	10,811	9,469	10,961
		<b>18,548</b>	<b>17,376</b>	<b>18,671</b>

In 2012, a total of \$35,265,000 of inventories was included in profit and loss as an expense (2011: \$32,907,000). This includes an amount of \$361,000 resulting from write down of inventories (2011: \$389,000).

## 17 Trade and other receivables

Trade and other receivables consist of the following:

AASB 101.77		<b>2012</b>	<b>2011</b>	<b>2010</b>
AASB 101.78(b)		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	Trade receivables, gross	31,265	23,889	18,873
	Allowance credit losses	(432)	(560)	(112)
	<b>Trade receivables</b>	<b>30,833</b>	<b>23,329</b>	<b>18,761</b>
	Receivables due from ABC associates	112	112	112
	<b>Financial assets</b>	<b>30,945</b>	<b>23,441</b>	<b>18,873</b>
	Social security and other taxes	1,012	898	998
	Construction contracts for telecommunication solutions	1,374	974	670
	Prepayments	298	315	178
	<b>Non financial assets</b>	<b>2,684</b>	<b>2,187</b>	<b>1,846</b>
		<b>33,629</b>	<b>25,628</b>	<b>20,719</b>

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

The receivable due from ABC associates relates to the remaining consideration due on the sale of a former subsidiary in 2010. The carrying amount of the receivable is considered a reasonable approximation of fair value as this financial asset (which is measured at amortised cost) is expected to be paid within six months, such that the time value of money is not significant.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of \$72,000 (2011: \$514,000) has been recorded accordingly within other expenses. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

AASB 7.16 The movement in the allowance for credit losses can be reconciled as follows:

<b>Reconciliation of bad debt loss</b>		<b>2012</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Balance 1 July</b>		<b>560</b>	<b>112</b>
Amounts written off (uncollectable)		(200)	(66)
Impairment loss		72	514
Impairment loss reversed		-	-
<b>Balance 30 June</b>		<b>432</b>	<b>560</b>

An analysis of unimpaired trade receivables that are past due is given in note 34.4.

AASB 7.36(d) The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is \$Nil (2011 and 2010: \$Nil).

#### 17.1 Construction contracts

AASB 111.39(a) Revenue of \$50,973,000 (2011: \$49,186,000) relating to construction contracts for telecommunication solutions has been included in revenue for the current reporting period.

AASB 111.43  
AASB 111.44 The amounts recognised in the statement of financial position relate to construction contracts in progress at the end of the reporting period. The amounts are calculated as the net amounts of costs incurred plus recognised profits, less recognised losses and progress billings. The carrying amounts of assets and liabilities are analysed as follows:

		<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
AASB111.40(a)	Aggregate amounts of costs incurred and recognised profits and losses for all contracts in progress	3,421	3,121	3,345
	Less progress billing	(2,335)	(2,354)	(2,675)
		<b>1,086</b>	<b>767</b>	<b>670</b>
AASB 111.42(a)	Recognised as: <b>Due from customers for construction contract work, recognised in trade and other receivables</b>	<b>1,374</b>	<b>974</b>	<b>670</b>
AASB 111.42(b)	<b>Due to customers for construction contract work, recognised in other liabilities</b>	<b>288</b>	<b>207</b>	<b>-</b>

AASB 111.40(b) Advances paid from customers for construction contracts related to work not yet performed have been recognised in other liabilities (see note 24) and amount to \$225,000 (2011: \$220,000; 2010: \$220,000).

AASB 111.40(c) Retentions on construction contracts included within trade and other receivables amount to \$10,000 (2011 and 2010: \$Nil). Retentions will be received upon acceptance by the customer of the work performed.

## 18 Cash and cash equivalents

AASB 107.45

Cash and cash equivalents consist the following:

	2012 \$'000	2011 \$'000	2010 \$'000
Cash at bank and in hand:			
AUD	24,352	7,867	7,026
GBP	2,087	674	550
USD	1,392	449	430
Short term deposits (AUD)	6,958	2,247	2,001
	<b>34,789</b>	<b>11,237</b>	<b>10,007</b>

AASB 107.48  
AASB 110.19

Following the acquisition of Goodtech some bank deposits of the acquiree were temporarily unavailable for general use by the Group due to legal restrictions. The amount of cash and cash equivalents inaccessible to the Group as at 30 June 2012 amounts to \$500,000 (2011 and 2010: \$Nil). All restrictions on bank deposits were removed prior to approval of these consolidated financial statements on 31 August 2012.

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

AASB 5.41(a)-(d)

In the middle of 2011, management decided to discontinue in-store sale of IT and telecommunications hardware. This decision was taken in line with the Group's strategy to focus on its on-line retail business. Consequently, assets and liabilities allocable to Highstreet Ltd and subsidiaries (included in the retail segment) were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of comprehensive income (see loss for the year from discontinued operations).

AASB 107.40(a)

On 31 March 2012, Highstreet Ltd and subsidiaries were sold for a total of \$3,117,000 in cash resulting in a loss of \$29,000 before tax primarily due to related selling costs (see note 5.2). Operating profit of Highstreet Ltd and subsidiaries' until the date of disposal and the profit or loss from re-measurement and disposal of assets and liabilities classified as held for sale is summarised as follows:

	2012 \$'000	2011 \$'000
Revenue	9,803	11,015
Costs of material	(3,540)	(3,633)
Employee benefits expense	(6,100)	(6,411)
Depreciation and amortisation	-	(765)
Other expenses	(90)	(100)
Operating profit	73	106
Finance costs	(56)	(60)
Profit from discontinued operations before tax	17	46
Tax expense	(5)	(14)
<b>Profit for year</b>	<b>12</b>	<b>32</b>

AASB 5.33(b)(i)

AASB 5.33(b)(ii),  
also AASB 112.81(h)

		2012 \$'000	2011 \$'000
	Gain (loss) on remeasurement and disposal		
AASB 5.33(b)(iii)	Loss before tax on measurement to fair value less cost to sell	-	(510)
	Loss before tax on disposal	(29)	-
AASB 5.33(b)(iv), also AASB 112.81(h)	Tax income (expense)	8	153
	<b>Total gain (loss)</b>	<b>(21)</b>	<b>(357)</b>
	<b>Loss for the year from discontinued operations</b>	<b>(9)</b>	<b>(325)</b>

AASB 5.41(b)-(d)

Most of the assets and all of the liabilities have been disposed of in this transaction, however, the Group continues to own some former Highstreet storage facilities. Management expects to sell these remaining assets during 2013.

AASB 5.38

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

	2012 \$'000	2011 \$'000
Non current assets		
- Property, plant and equipment	103	2,578
- Deferred tax	-	227
Current assets		
- Inventories	-	1,081
- Cash and cash equivalents	-	22
<b>Assets classified as held for sale</b>	<b>103</b>	<b>3,908</b>
Current liabilities		
- Provisions	-	(245)
- Trade and other payables	-	(190)
- Current tax liabilities	-	(14)
<b>Liabilities classified as held for sale</b>	<b>-</b>	<b>(449)</b>

AASB 5.33(c)

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

	2012 \$'000	2011 \$'000
Operating activities	(22)	811
Investing activities	3,117	-
<b>Cash flows from discontinued operations</b>	<b>3,095</b>	<b>811</b>

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

20 Equity  
20.1 Share capital

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

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

	2012	2011
AASB 101.79(a)(iv)		
Shares issued and fully paid:		
Beginning of the year	12,000,000	12,000,000
Issued under share-based payments	270,000	-
Share issue	1,500,000	-
AASB 101.79(a)(ii)	<b>Shares issued and fully paid</b>	<b>13,770,000</b>
	13,770,000	12,000,000
	Shares authorised for share-based payments	600,000
AASB 101.79(a)(i)	<b>Total shares authorised at 30 June</b>	<b>14,370,000</b>
	14,370,000	12,600,000

Additional shares were issued during 2011 relating to share-based payments (see note 21.2 for details on the Group's share-based employee remuneration schemes).

The Group issued 1,500,000 shares on 31 March 2012, corresponding to 12.5% of total shares issued. Each share has the same right to receive dividend and the repayment of capital and represents one vote at the shareholders' meeting of Grant Thornton CLEARR.

AASB 101.79(a)(vii)

The authorised shares that have not yet been issued have been authorised solely for use in the Group's share-based remuneration programmes (see note 21.2).

## 20.2 Other components of equity

The details of other components of equity are as follows:

		Foreign Currency Translation Reserve	Revaluation Reserve	AFS financial assets reserve	Cash flow hedges reserve	Total
AASB 101.106(d)(i) AASB 101.106A	<b>Balance at 1 July 2010</b>	(113)	689	-	312	888
	Other comprehensive income for the year (all attributable to the parent):					
	Cash flow hedges:					
AASB 7.23(c)	- Current year gains	-	-	-	(47)	(47)
AASB 7.23(d)	- Reclassification to profit or loss	-	-	-	(425)	(425)
AASB 7.20(a)(ii)	AFS financial assets:					
	- Current year gains	-	-	35	-	35
AASB 121.52(b)	Exchange differences on translating foreign operations	(341)	-	-	-	(341)
AASB 101.91(b) AASB 101.90	<b>Before tax</b>	<b>(341)</b>	<b>-</b>	<b>35</b>	<b>(472)</b>	<b>(778)</b>
	Tax benefit (expense)	95	-	-	-	95
	<b>Net of tax</b>	<b>(246)</b>	<b>-</b>	<b>35</b>	<b>(472)</b>	<b>(683)</b>
	<b>Balance at 30 June 2011</b>	<b>(359)</b>	<b>689</b>	<b>35</b>	<b>(160)</b>	<b>205</b>

		Foreign Currency Translation Reserve	Revaluation Reserve	AFS financial assets reserve	Cash flow hedges reserve	Total
AASB 101.106(d)(i) AASB 101.106A	<b>Balance at 1 July 2011</b>	(359)	689	35	(160)	205
	Other comprehensive income for the year (all attributable to the parent):					
	Cash flow hedges:					
AASB 7.23(c)	Current year gains	-	-	-	367	367
AASB 7.23(d)	Reclassification to profit or loss	-	-	-	260	260
AASB 7.20(a)(ii)	AFS financial assets:					
	Current year gains	-	-	113	-	113
	Reclassification to profit or loss	-	-	(50)	-	(50)
AASB 116.77(f)	Revaluation of land	-	303	-	-	303
AASB 121.52(b)	Exchange differences on translating foreign operations	(664)	-	-	-	(664)
AASB 101.82(h)	Equity accounted investments	-	-	-	5	5
AASB 101.82(h)	Reclassification to profit or loss	-	-	-	(3)	(3)
AASB 101.91(b) AASB 101.90	<b>Before tax</b>	<b>(664)</b>	<b>303</b>	<b>63</b>	<b>629</b>	<b>331</b>
	Tax benefit (expense)	176	(91)	-	-	85
	<b>Net of tax</b>	<b>(488)</b>	<b>212</b>	<b>63</b>	<b>629</b>	<b>416</b>
	<b>Balance at 30 June 2012</b>	<b>(847)</b>	<b>901</b>	<b>98</b>	<b>469</b>	<b>621</b>

## 21 Employee remuneration

### 21.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

		2012	2011
		\$'000	\$'000
AASB 119.142	Wages, salaries	96,564	91,226
	Social security costs	11,229	10,608
AASB 2.51(a)	Share-based payments	298	466
	Pensions – defined benefit plans	1,608	2,130
AASB 119.46	Pensions – defined contribution plans	4,491	4,243
	<b>Employee benefits expense</b>	<b>114,190</b>	<b>108,673</b>

### 21.2 Share-based employee remuneration

As at 30 June 2012 the Group maintained two share-based payment schemes for employee remuneration, the Star Programme and the Stay Programme. Both programmes will be settled in equity.

AASB 2.45(a) The Star Programme is part of the remuneration package of the Group's senior management. Options under this programme will vest if certain conditions, as defined in the programme, are met. It is based on the performance of Grant Thornton CLEARR's shares compared to other companies in the Australian Stock Exchange within a specified period. In addition, participants in this programme have to be employed until the end of the agreed vesting period. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 20-25% of the market price determined at grant date.

AASB 2.45(a) The Stay Programme is part of the remuneration package of the Group's research and development and sales personnel. Options under this programme will vest if the participant remains employed for the agreed vesting period. The maximum term of the options granted under the Stay Programme ends on 31 July 2012. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 15-20% of the market price determined at grant date.

AASB 2.45 (b)

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

	Star Programme		Stay Programme	
	Number of shares	Weighted average exercise price (\$)	Number of share	Weighted average exercise price (\$)
<b>Outstanding at 1 July 2010</b>	<b>300,000</b>	<b>6.24</b>	<b>95,250</b>	<b>5.81</b>
Granted	-	-	-	-
Forfeited	(513)	6.24	(1,012)	5.81
Exercised	-	-	-	-
Expired	-	-	-	-
<b>Outstanding at 30 June 2011</b>	<b>299,487</b>	<b>6.24</b>	<b>94,238</b>	<b>5.81</b>
Granted	100,000	7.81	-	-
Forfeited	(312)	6.24	(3,489)	5.81
Exercised	(270,000)	6.24	-	-
<b>Outstanding at 30 June 2012</b>	<b>129,175</b>	<b>7.45</b>	<b>90,749</b>	<b>5.81</b>
Exercisable at 30 June 2011	-	-	-	-
Exercisable at 30 June 2012	29,175	6.24	-	-

AASB 2.45(c)

The weighted average share price at the date of exercise was \$11.19 (no exercises in 2011).

AASB 2.47(a)(i)

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

AASB 2.47

	Star Programme		Stay Programme
Grant date	1 Jul 2008	1 Aug 2011	5 Jul 2007
Vesting period ends	30 Jun 2011	31 Jul 2014	31 Jul 2012
Share price at date of grant	8.00	10.01	7.00
Volatility	50%	50%	50%
Option life	5 years	5 years	7 years
Dividend yield	1%	1%	1%
Risk free investment rate	4%	4%	4%
Fair value at grant date	4.00	6.70	5.30
Exercise price at date of grant	6.24	7.81	5.81
Exercisable from / to	1 Jul 2011 / 30 Jun 2013	1 Aug 2014 / 30 Jun 2016	1 Aug 2012 / 4 Jul 2014
Weighted average remaining contractual life	1.0 years	4.0 years	2.0 years

AASB 2.45(d)

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

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

AASB 2.51

In total, \$298,000 (2011: \$466,000) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss for 2012 and credited to share option reserve.

### 21.3 Employee benefits

The liabilities recognised for employee benefits consist of the following amounts:<sup>9</sup>

	2012 \$'000	2011 \$'000	2010 \$'000
Non current:			
- Defined benefit plans	11,224	10,812	10,242
Current:			
- Defined benefit plans	1,246	1,193	1,056
- Other short term employee obligations	221	303	280
Current pension and other employee obligations	1,467	1,496	1,336

AASB 101.69

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2013. Other short-term employee obligations arise mainly from accrued annual leave entitlements at the reporting date and various superannuation payments. As none of the employees are eligible for early settlement of superannuation arrangements, the remaining part of superannuation obligations for defined benefit plans is considered non-current.

AASB 119.120A(b)

#### Defined benefit plan

The Group has set up a partly funded pension scheme for mid-to senior management that was available to certain senior workers after completing five years of service. According to the plan, a certain percentage of the current salary is converted into a pension component each year. Pensions under this scheme are paid out when a beneficiary has reached the age of 65.

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

The reconciliation of the Group's defined benefit obligations (DBO) and plan assets to the amounts presented on the statement of financial position for each of the reporting periods are presented below:

		2012	2011	2010
		\$'000	\$'000	\$'000
AASB 119.120A(f)	Defined benefit obligations	53,874	47,410	38,889
	Fair value of planned assets	(42,242)	(32,575)	(29,901)
AASB 119.120A(f)(i)	Net actuarial gain (loss) not recognised	1,438	(1,930)	2,310
AASB 119.120A(f)(ii)	Past service cost not yet recognised	(600)	(900)	-
	<b>Defined benefit plan</b>	<b>12,470</b>	<b>12,005</b>	<b>11,298</b>
	Classified as:			
	Non-current liability	11,224	10,812	10,242
	Current liability	1,246	1,193	1,056
		<b>12,470</b>	<b>12,005</b>	<b>11,298</b>

#### Defined benefit obligation

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

		2012	2011
		\$'000	\$'000
AASB 119.120A(c)	<b>Defined benefit obligation 1 July</b>	<b>47,410</b>	<b>38,889</b>
AASB 119.120A(c)(i)	Current service cost	1,308	1,530
AASB 119.120A(c)(ii)	Interest cost	2,488	2,267
AASB 119.120A(c)(iii)	Contributions by plan participants	658	650
AASB 119.120A(c)(iv)	Actuarial (gains) / losses	3,261	3,761
AASB 119.120A(c)(vi)	Benefits paid	(1,251)	(1,187)
AASB 119.120A(c)(vii)	Past service costs	-	1,500
	<b>Defined benefit obligation 30 June</b>	<b>53,874</b>	<b>47,410</b>
AASB 119.120A(d)	Thereof		
-	Unfunded	-	-
-	Partly or wholly funded	53,874	47,410

The DBO was determined using the following actuarial assumptions:

		2012	2011	2010
		\$'000	\$'000	\$'000
AASB 119.120A(n)(i)	Discount rate	5.3%	5.5%	5.4%
AASB 119.120A(n)(ii)	Expected rate of return on plan assets	7.2%	7.4%	7.3%
AASB 119.120A(n)(iv)	Expected rate of salary increases	4.3%	4.2%	4.3%
AASB 119.120A(n)(v)	Medical cost trend rates	4.4%	4.0%	4.2%
AASB 119.120A(n)(vi)	Average life expectancies:			
-	Male, 65 years of age at reporting date	82.5	82.5	82.5
-	Female, 65 years of age at reporting date	84.5	84.5	84.5
-	Male, 45 years of age at reporting date	84.5	84.5	84.5
-	Female, 45 years of age at reporting date	87.5	87.5	87.5

AASB 101.125(a)  
AASB 101.125(b)

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

AASB 119.120A(o)

The estimate of the DBO is particularly sensitive to medical cost trends. If the medical cost rate assumed in the actuarial valuation had varied by +/-1 percent, this would have altered the Group's defined benefit schemes at follows:

	2012		2011		2010	
	\$'000		\$'000		\$'000	
	+1%	-1%	+1%	-1%	+1%	-1%
Aggregate of current service and interest cost	684	(627)	746	(681)	709	(647)
Defined benefit obligation for medical costs	9,697	(8,797)	8,534	(7,734)	8,107	(7,347)

#### Plan assets

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

	2012	2011
	\$'000	\$'000
AASB 119.120A(e) Fair value of plan assets 1 July	32,575	29,901
AASB 119.120A(e)(i) Expected returns on plan assets	2,445	2,417
AASB 119.120A(e)(ii) Actuarial gains / (losses)	6,629	(479)
AASB 119.120A(e)(iii) Foreign currency exchange rate	-	-
AASB 119.120A(e)(iv) Contributions by the Group	1,186	1,273
AASB 119.120A(e)(v) Contributions by beneficiaries	658	650
AASB 119.120A(e)(vi) Benefits paid	(1,251)	(1,187)
<b>Fair value of plan assets 30 June</b>	<b>42,242</b>	<b>32,575</b>

AASB 119.120A(k)

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

	Total plan assets		
	2012	2011	2010
AASB 119.120A(j) Real estate funds	27%	27%	26%
Equity investment funds	50%	51%	54%
Money market funds	1%	1%	1%
Other debt instruments	17%	18%	16%
Liquid funds	5%	3%	3%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Defined benefit plan expenses

Expenses related to the Group's defined benefit plans are as follows:

		2012	2011
		\$'000	\$'000
	Employee benefits expense:		
AASB 119.120A(g)(i)	Current service cost	1,308	1,530
AASB 119.120A(g)(vi)	Past service costs	300	600
	<b>Employee benefits expense</b>	<b>1,608</b>	<b>2,130</b>
AASB 119.120A(g)(ii)	Interest costs	2,488	2,267
AASB 119.120A(g)(iii)	Expected returns on plan assets	(2,445)	(2,417)
AASB 119.120A(g)(v)	Actuarial (gains) losses recognised during the period	-	-
	<b>Total expenses recognised in profit or loss</b>	<b>1,651</b>	<b>1,980</b>

AASB 119.120A(g)  
AASB 119.120A(h)

Interest costs have been included in finance costs (see note 25). Return on plan assets is included in other financial items (see note 26). All other expenses summarised above were included within employee benefits expense. The Group recognises all actuarial gains and losses in accordance with the corridor approach (see note 4.23). Actuarial gains and losses arising in the year were within the corridor and have therefore not been recognised in profit or loss.

AASB 119.120(l) also (m)

Expected returns on plan assets are based on a weighted average of expected returns of the various assets in the plan, and include an analysis of historical returns and predictions about future returns. Expected returns on plan assets are estimated by independent pension scheme appraisals undertaken by external valuers in close coordination with each fund's treasury board. In 2012, the actual return on plan assets was \$2,900,000 (2011: \$1,900,000).

AASB 119.120A(q)

### Other defined benefit plan information

Based on historical data, the Group expects contributions in the range of \$2,200,000 to \$2,500,000 to be paid for 2013.

The development of the Group's defined benefit is summarised as follows:

		2012	2011	2010	2009	2008
		\$'000	\$'000	\$'000	\$'000	\$'000
AASB 119.120A(p)(i)	Defined benefit obligation	53,874	47,410	38,889	34,778	30,105
AASB 119.120A(p)(i)	Fair value of plan assets	42,242	32,575	29,901	25,159	23,908
AASB 119.120A(p)(i)	Plan surplus / (deficit)	(11,632)	(14,835)	(8,988)	(9,619)	(6,197)
	Experience adjustments:					
AASB 119.120A(p)(ii)	Plan assets	1,733	226	219	213	212
AASB 119.120A(p)(ii)	Plan liabilities	1,860	915	109	104	105

## 22 Provisions

AASB 101.69

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

		<b>Restructuring</b>	<b>Other</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
AASB 137.84(a)	<b>Carrying amount 1 July 2011</b>	<b>2,110</b>	<b>1,235</b>	<b>3,345</b>
AASB 137.84(b)	Additional provisions	-	1,570	1,570
AASB 137.84(c)	Amount utilised	(876)	(2,211)	(3,087)
AASB 137.84(d)	Reversals	(510)	(103)	(613)
AASB 137.84(a)	<b>Carrying amount 30 June 2012</b>	<b>724</b>	<b>491</b>	<b>1,215</b>

Provisions recognised at acquisition date in a business combination are included in additions (see note 5.1). Provisions classified as held for sale are included within amount utilised (see note 19).

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

The provision for restructuring relates to the Phoenix programme, which was initiated in early 2010 and carried out predominantly in 2010 and 2011. The Group's management expects to settle the remaining termination remuneration for former employees and legal fees relating to the restructuring programme in 2012. The Group is not eligible for any reimbursement by third parties in this regard.

AASB 101.125(a)  
AASB 101.125(b)

The restructuring provision as at 30 June 2012 was reduced due to the outcome of several lawsuits brought against the Group during 2011 by former employees. Out of court settlements based on the outcome of earlier settlements are expected for most of the remaining claims.

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

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

AASB 101.61

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

AASB 101.125  
AASB 137.92

The majority of the other provisions recognised at 30 June 2011 related to claims initiated in 2010 that were settled during 2011 / 2012. Management, on the advice of counsel, does not expect the outcome of any of the remaining cases will give rise to any significant loss beyond the amounts recognised at 30 June 2012. None of the provisions will be discussed here in further detail so as to not seriously prejudice the Group's position in the related disputes.

## 23 Trade and other payables

Trade and other payables consist of the following:

	2012 \$'000	2011 \$'000	2010 \$'000
Current			
- Trade payables	7,893	6,512	6,981
- Short term bank overdrafts	654	78	123
- Finance lease liabilities	512	506	598
	<b>9,059</b>	<b>7,096</b>	<b>7,702</b>
Non-current			
- Finance lease liabilities	4,096	4,608	5,002
<b>Total trade and other payables</b>	<b>13,155</b>	<b>11,704</b>	<b>12,704</b>

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

The fair value of the Group's finance lease liabilities has been estimated at \$4,608,000 (2011: \$5,114,000; 2010: \$5,600,000). This amount reflects present value and takes into account interest rates available on secured bank borrowings on similar terms. See note 12.1 for further information.

## 24 Other liabilities

Other liabilities can be summarised as follows:

	2012 \$'000	2011 \$'000	2010 \$'000
Due to customers for construction contract work	288	207	-
Advances received for construction contract work	225	220	220
Deferred service income	2,123	2,291	2,512
Other	22	657	-
Deferred gain	100	100	100
<b>Other liabilities - current</b>	<b>2,758</b>	<b>3,475</b>	<b>2,832</b>
Contingent consideration for the acquisition of Goodtech	620	-	-
Deferred gain	1,400	1,500	1,600
<b>Other liabilities – non current</b>	<b>2,020</b>	<b>1,500</b>	<b>1,600</b>

The deferred gain relates to a sale and leaseback of an office and production building in 2003. The excess of proceeds received over fair value was deferred and is being amortised over the lease term of 15 years. In 2012, deferred income of \$100,000 (2011: \$100,000) was recognised in profit or loss relating to this transaction. The subsequent leasing agreement is treated as an operating lease (see note 12.2). The non-current part of the deferred gain will be amortised between 2013 and the end of the lease term.

AASB 101.69  
AASB 101.61

All amounts recognised relating to deferred service income are considered current as the timing of service commitments is not at the discretion of the Group. Assuming an average remaining term of service on service contracts at 30 June 2012 of 32 months (2011: 38 months, 2010: 39 months) and constant service activity over the remaining term, the Group expects to amortise \$796,000 of deferred service income during 2013 (2012: \$723,000; 2011: \$772,000), and \$1,327,000 after that time (2012: \$1,568,000; 2011: \$1,781,000).

The amounts recognised in respect of construction contracts will generally be utilised within the next reporting period (see note 17.1).

## 25 Finance costs and finance income

Finance costs for the reporting periods consist of the following:

		2012 \$'000	2011 \$'000
AASB 7.20(b)	Interest expenses for borrowings at amortised cost		
	- Subordinated shareholder loan	200	200
	- Other borrowings at amortised cost	595	555
		<b>795</b>	<b>755</b>
	Interest expenses for finance lease arrangements	220	230
AASB 7.20(b)	Total interest expenses for financial liabilities not at FVTPL	<b>1,015</b>	<b>985</b>
AASB 123.26(a)	Less: interest expenses capitalised into intangible assets	(80)	(78)
		<b>935</b>	<b>907</b>
AASB 119.120A(g)(ii)	Defined benefit obligation interest expenses	2,488	2,267
	Unwinding of discount relating to contingent consideration liability	20	-
AASB 7.20(a)(i)	Loss on foreign currency financial liabilities designated at fair value through profit or loss	30	70
AASB 7.20(a)	Impairment of investment in XY Ltd (AFS)	-	350
		<b>3,473</b>	<b>3,594</b>
AASB 123.26(b)	Interest expenses capitalised into intangible assets were capitalised at a rate of 4.4% per annum (2011: 4.5%)		
AASB 7.B5(e)	The loss on foreign currency financial liabilities designated at FVTPL takes account of interest payments on these loans.		
AASB 7.20(e)	An impairment loss was recognised in 2011 for the investment in XY Ltd, which is carried at cost less impairment charges as its fair value cannot be measured reliably (see note 14.2).		

Finance income for the reporting periods consists of the following:

		<b>2012</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>
	Interest income from cash and cash equivalents	583	266
AASB 7.20(b)	Interest income on financial assets carried at amortised cost and AFS financial assets	169	181
AASB 7.20(b)	Total interest income for financial assets not at FVTPL	<b>752</b>	<b>447</b>
AASB 118.35(b)(v)	Dividend income from XY Ltd (AFS)	40	-
AASB 118.35(b)(v)	Dividend income from AFS listed securities	22	21
AASB 7.20(a)(i)	Fair value gains on forward exchange contracts held for trading	130	325
AASB 7.20 (a)(ii)	Gains on AFS financial assets reclassified from other comprehensive income	50	-
		<b>994</b>	<b>793</b>

## 26 Other financial items

Other financial items consist of the following:

		<b>2012</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>
AASB 7.20(a)(i)	Gain / (loss) from financial assets as held-for-trading (FVTPL)	6	18
AASB 121.52(a), AASB 7.20(a)(iv)	Gain / (loss) from exchange differences on loans and receivables	937	1,164
	Return on retirement benefit plan assets	2,445	2,417
		<b>3,388</b>	<b>3,599</b>

## 27 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Grant Thornton CLEARR at 30% (2011: 30%) and the reported tax expense in profit or loss are as follows:<sup>10</sup>

		2012	2011
		\$'000	\$'000
AASB 112.81(c)(i)	Profit before tax	22,588	19,961
AASB 112.85	Domestic tax rate for Grant Thornton CLEARR Example Pty Ltd	30%	30%
	<b>Expected tax expense</b>	<b>6,776</b>	<b>5,988</b>
AASB 112.84	Adjustment for tax-rate differences in foreign jurisdictions	16	18
AASB 112.84	Adjustment for tax-exempt income:		
	- Relating to equity accounted investments	(18)	(4)
	- Other tax-exempt income	(18)	(6)
AASB 112.84	Adjustment for non-deductible expenses:		
	- Relating to goodwill impairment	240	57
	- Other non-deductible expenses	136	131
	<b>Actual tax expense (income)</b>	<b>7,132</b>	<b>6,184</b>
AASB 112.79	Tax expense comprises:		
AASB 112.80	Current tax expense	5,832	5,192
AASB 112.80(a)	Deferred tax expense (income):		
AASB 112.80(c)	- Origination and reversal of temporary differences	1,225	767
AASB 112.80	- Utilisation of unused tax losses	75	225
	<b>Tax expense</b>	<b>7,132</b>	<b>6,184</b>
AASB 112.81(ab)	Deferred tax expense (income), recognised directly in other comprehensive income	(85)	(95)

Note 15 provides information on deferred tax assets and liabilities. Note 20.2 provides information on deferred income tax recognised directly in each component of other comprehensive income.

<sup>10</sup> Examples of major components of tax expense are included in AASB 112.80.

28 Auditor remuneration

CA 300(11Ba) / (11Ca)

AASB1054.10a

**Audit and review of financial statements**

- Auditors of Grant Thornton CLEARR – Grant Thornton	2012 \$	2011 \$
	220,000	196,000

- Overseas Grant Thornton network firms	95,000	78,000
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**Remuneration from audit and review of financial statements**

	315,000	274,000
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AASB 1054.10b

**Other services**

Auditors of Grant Thornton CLEARR – Grant Thornton

AASB 1054.11

- Taxation compliance	25,700	24,900
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Overseas Grant Thornton network firms:

AASB 1054.11

- Due diligence services	73,590	85,450
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**Total other service remuneration**

	99,290	110,350
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**Total auditor's remuneration**

	414,290	384,350
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29 Dividends

Dividends paid and proposed

AASB 101.107

Dividends declared during the year

Fully franked interim dividend (\$0.25c per share)

2012 \$'000	2011 \$'000
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3,000	-
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3,000	-
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The tax rates applicable to the franking credits attached to the interim dividend and to be attached to the final dividend is 30% (2011: 30%).

AASB 101.137(a)  
AASB 112.81(i)

Also during 2012, the directors proposed the payment of a dividend of \$6,885,000 (\$0.50 per share). As the distribution of dividends by Grant Thornton CLEARR requires approval at the shareholders' meeting, no liability in this respect is recognised in the 2012 consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the level of Grant Thornton CLEARR.

## Franking Credits

		Parent	
		2012	2011
		\$'000	\$'000
AASB 1054.13	The amount of the franking credits available for subsequent reporting periods are:		
	Balance at the end of the reporting period	2,450	3,523
AASB 1054.14a	Franking credits that will arise from the payment of the amount of provision for income tax	408	294
AASB 1054.14b	Franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	-	-
AASB 1054.14c	Franking credits that will arise from the receipt of dividends recognised as receivables at the end of reporting period	-	-
		<b>2,858</b>	<b>3,817</b>

AASB 1054.16

## 30 Reconciliation of cash flows from operating activities

	2012	2011
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Profit for the period	15,447	13,452
Adjustments for:		
- Depreciation, amortisation and impairment	7,942	6,826
- FV gains on financial assets / derivatives	(219)	373
Defined benefits plan adjustment	465	707
Changes in fair value of investment property	(310)	(175)
Share of profit of equity accounted investments	(60)	(12)
Bad debt expense	72	864
Foreign exchange differences	(937)	(1,164)
Acquisition costs included in investing	223	76
Return on plan assets	(2,445)	(2,417)
Net interest and dividends received included in investing and financing	221	439
Tax expense included in investing	244	140
Net changes in working capital:		
Change in inventories	7,823	6,764
Change in trade and other receivables	(281)	(573)
Change in other assets	(430)	362
Change in trade and other payables	(2,841)	(2,856)
Change in other employee obligations	(82)	23
Change in deferred tax	1,215	971
Change in provisions	(40)	(2,825)
<b>Net cash from operating activities</b>	<b>26,007</b>	<b>20,975</b>

AASB 107.43

In 2012, the Group acquired Goodtech (see note 5.1). The consideration transferred included a contingent payment arrangement amounting to \$600,000 as of the acquisition date. The initial recognition of this liability and the subsequent unwinding of the discount of \$20,000 (2011: Nil) are non-cash transactions excluded from the statement of cash flows.

### 31 Related party transactions

AASB 124.18(g)

The Group's related parties include its associates and joint venture, key management, post-employment benefit plans for the Group's employees and others as described below. In addition, Grant Thornton CLEARR has a subordinated loan from its main shareholder, the LOM Investment Trust (see note 14.5 for information on terms and conditions), on which interest of \$200,000 (2011: \$200,000) is paid.

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

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

#### 31.1 Transactions with associates

AASB 124.18(a)  
AASB 124.17(b)

In order to meet peak demands by its customers, the Group has some of its consulting services carried out by professionals of its associate, Equipe Consultants S.A. During 2012, Equipe Consultants S.A. provided services valued at \$568,000 (2011: \$590,000). The outstanding balance of \$20,000 (2011: \$22,000; 2010: \$18,000) due to Equipe Consultants S.A. is included in trade payables.

AASB 124.17(a)  
AASB 124.17(b)

#### 31.2 Transactions with joint ventures

AASB 124.18(e)  
AASB 124.17(a)

During 2012, Halftime Ltd provided services valued at \$10,000 (2011: \$3,000). For joint ventures the full amount of the transactions are shown. These amounts are recognised using the proportionate consolidation method. There is no outstanding balance as at 30 June 2012 (2010 and 2010: Nil).

AASB 124.17(b)

#### 31.3 Transactions with key management personnel

AASB 124.18(f)

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

		2012 \$'000	2011 \$'000
AASB 124.16(a)	Short term employee benefits		
	- Salaries including bonuses	2,420	2,210
	- Social security costs	70	34
	- Company car allowance	220	190
	<b>Total short term employee benefits</b>	<b>2,710</b>	<b>2,434</b>
AASB 124.16(b)	Post-employment benefits		
	- Defined benefit pension plans	312	299
	- Defined contribution pension plans	25	12
	<b>Total post-employment benefits</b>	<b>337</b>	<b>311</b>
AASB 124.16(d)	Termination benefits	100	-
AASB 124.16(e)	Share-based payments	103	175
	<b>Total remuneration</b>	<b>3,250</b>	<b>2,920</b>

AASB 124.17

During 2012, certain key management personnel exercised share options with total exercise price of \$1,685,000 (2010: \$Nil) granted in The Group's Star Programme.

AASB 124.17(a)  
AASB 124.17(b)

The Group allows its employees to take up limited short-term loans to fund merchandise and other purchases through the Group's business contacts. This facility is also available to the Group's key management personnel. During 2012, the Group's key management received short term loans totalling \$40,000 (2011: \$38,000). The outstanding balance of \$1,000 (2011 and 2010: \$1,000) has been included in trade and other receivables.

During 2012, the Group used the legal services of one company director and the law firm over which he exercises significant influence. The amounts billed related to this legal service amounted to \$21,000 (2011:\$Nil), based on normal market rates and was fully paid as of the reporting date.

### 31.4 Transactions with defined benefit plan

AASB 124.9(g)

The defined benefit plan is a related party. The defined benefit plan does not hold shares in Grant Thornton CLEARR. The Group's only transaction with the defined benefit plan relates to contributions paid to the plan (see note 21.3).

### 32 Contingent assets and contingent liabilities

AASB 101.114(d)(i)  
AASB 137.86

Various warranty and legal claims were brought against the Group during the year. Unless recognised as a provision (see note 22), management considers these claims to be unjustified and the probability that they will require settlement at the Group's expense to be remote. This evaluation is consistent with external independent legal advice.

AASB 137.92

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

### 33 Capital commitments

AASB 116.74c

Property, plant and equipment

AASB 140.75h

Investment property

Intangible assets

AASB 138.122e

2012	2011
\$'000	\$'000
1,304	190
-	-
97	-
<b>1,401</b>	<b>190</b>

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

### 34 Financial instrument risk

#### Risk management objectives and policies

AASB 101.114(d)(ii)  
AASB 7.33

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in note 14.1. The main types of risks are market risk, credit risk and liquidity risk.

AASB 7.IG15

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

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

#### 34.1 Market risk analysis

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

#### Foreign currency sensitivity

AASB 7.33(a)

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

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

To mitigate the Group's exposure to foreign currency risk, non-AUD cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk on the Group's USD loan used to fund the purchase of US investment property. The loan is designated at fair value through profit and loss to significantly reduce measurement inconsistencies between investment properties and the related loan, i.e. a foreign currency loss on the investment property is offset by a gain on the related loan. Therefore, the loan is not included in management's assessment of foreign currency exposure.

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

AASB 7.34(a)

AASB 7.34(c)

	Short term exposure			Long term exposure		
	USD \$'000	GBP \$'000	Other \$'000	USD \$'000	GBP \$'000	Other \$'000
30 June 2012						
- Financial assets	4,518	3,629	308	1,363	-	-
- Financial liabilities	710	1,658	-	-	-	-
<b>Total exposure</b>	<b>3,808</b>	<b>1,971</b>	<b>308</b>	<b>1,363</b>	<b>-</b>	<b>-</b>
30 June 2011						
- Financial assets	2,920	1,840	233	1,442	-	-
- Financial liabilities	586	1,368	-	-	-	-
<b>Total exposure</b>	<b>2,334</b>	<b>472</b>	<b>233</b>	<b>1,442</b>	<b>-</b>	<b>-</b>
30 June 2010						
- Financial assets	2,503	1,488	188	1,499	-	-
- Financial liabilities	628	1,466	-	-	-	-
<b>Total exposure</b>	<b>1,875</b>	<b>22</b>	<b>188</b>	<b>1,499</b>	<b>-</b>	<b>-</b>

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

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the USD/AUD exchange rate and GBP/AUD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the AUD/USD exchange rate for the year ended at 30 June 2012 (2011 and 2010: 10%). A +/- 5% change is considered for the AUD/GBP exchange rate (2011 and 2010: 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the AUD had strengthened against the USD by 10% (2011 and 2010: 10%) and GBP by 5% (2011 and 2010: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD \$'000	GBP \$'000	Total \$'000	USD \$'000	GBP \$'000	Total \$'000
30 June 2012	(97)	(99)	(197)	(47)	(99)	(147)
30 June 2011	(53)	(24)	(77)	(3)	(24)	(27)
30 June 2010	(67)	(1)	(68)	(27)	(1)	(28)

If the AUD had weakened against the USD by 10% (2011 and 2010: 10%) and GBP by 5% (2011 and 2010: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	GBP	Total	USD	GBP	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2012	97	97	195	37	97	135
30 June 2011	53	20	73	13	20	33
30 June 2010	67	(2)	65	32	(2)	30

AASB 7.42

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

#### Interest rate sensitivity

AASB 7.33(a)  
AASB 7.33(b)

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 30 June 2012, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The Group's investments in bonds all pay fixed interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

AASB 7.40(b)  
AASB 7.IG36

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2011 and 2010: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

AASB 7.40(a)

	Profit for the year		Equity	
	\$'000		\$'000	
	+1%	-1%	+1%	-1%
30 June 2012	36	(36)	26	(16)
30 June 2011	32	(32)	23	(14)
30 June 2010	37	(37)	22	(12)

#### Other price risk sensitivity

AASB 7.33(a)

The Group is exposed to other price risk in respect of its listed equity securities, the investment in XY Ltd and debentures (see note 14.2).

AASB 7.40(a)  
AASB 7.40(b)

For the listed equity securities, an average volatility of 20% has been observed during 2012 (2011: 18%; 2010: 17%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by \$85,000 (2011: \$62,000; 2010: \$57,000). The listed securities are classified as AFS, therefore no effect on profit or loss would have occurred.

AASB 7.40(b) The Group's sensitivity to price risk in regards to its investment in XY Ltd cannot be reliably determined due to numerous uncertainties regarding the future development of this company (see note 14.2 for further information).

AASB 7.33(b) The investments in listed equity securities and in XY Ltd are considered long-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Group's favour.

AASB 7.40(a)  
AASB 7.40(b) The average volatility of the listed debentures was 15% in 2012 (2011: 13%; 2010: 9%). If the market price had increased or decreased by this amount, other comprehensive income and equity would have increased/decreased by \$15,000 (2011: \$15,000; 2010: \$9,000). As none of the debentures classified as AFS were sold during any of the periods under review, no effect on profit or loss would have occurred (unless any decline in fair value to below cost is considered to result from impairment of the asset).

### 34.2 Credit risk analysis

AASB 7.33(a)  
AASB 7.36(a) Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

AASB 7.34(a)	2012	2011	2010
	\$'000	\$'000	\$'000
Classes of financial assets -			
Carrying amounts:			
Bonds	2,814	2,992	3,124
Listed debentures	97	112	90
Money market funds	655	649	631
Derivative financial instruments	582	212	490
Cash and cash equivalents	34,789	11,237	10,007
Trade and other receivables	30,945	23,441	18,873
	<b>69,882</b>	<b>38,643</b>	<b>33,215</b>

AASB 7.33(b) The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

AASB 7.36(c) The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

AASB 7.37(a)  
AASB 7.IG28

Some of the unimpaired trade receivables are past due as at the reporting date. Information on financial assets past due but not impaired are as follows:

	2012	2011	2010
	\$'000	\$'000	\$'000
Not more than 3 months	671	602	367
More than 3 months but not more than 6 months	90	88	41
More than 6 months but not more than 1 year	55	15	2
More than 1 year	2	1	1
Total	<b>818</b>	<b>706</b>	<b>411</b>

AASB 7.36(c)  
AASB 7.IG23

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

AASB 7.36(c)

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

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

No impairment loss has been recorded in relation to the bonds (HTM investments, see note 14.2) which have been graded AA by Standard & Poors and bonds are not past due. The carrying amounts disclosed above are the Group's maximum possible credit risk exposure in relation to these instruments.

### 34.3 Liquidity risk analysis

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

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

AASB 7.39(c)  
AASB 7.B11F

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

AASB 7.B11E

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables (see note 14) significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

As at 30 June 2012, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

AASB 7.39(a)

AASB 7.B11

	Current		Non current	
	Within 6	6 to 12	Later than 5	
	months	months	1 to 5 years	years
<b>30 June 2012</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
US-Dollar loans	280	280	1,761	8,215
Other bank borrowings	4,565	-	-	-
Non convertible bond	208	208	8,888	-
Finance lease obligations	364	364	1,415	3,539
Trade and other payables	8,547	-	-	-
<b>Total</b>	<b>13,964</b>	<b>852</b>	<b>12,064</b>	<b>11,754</b>

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

AASB 7.39(a)

AASB 7.B11

	Current		Non current	
	Within 6	6 to 12	Later than	
	months	months	1 to 5 years	5 years
<b>30 June 2011</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
US-Dollar loans	289	289	1,781	8,508
Other bank borrowings	3,124	-	-	-
Non convertible bond	208	208	9,303	-
Finance lease obligations	363	363	1,432	4,072
Trade and other payables	6,590	-	-	-
<b>Total</b>	<b>10,574</b>	<b>860</b>	<b>12,516</b>	<b>12,580</b>

AASB 7.39(a)

AASB 7.B11

	Current		Non current	
	Within 6	6 to 12	Later than	
	months	months	1 to 5 years	5 years
<b>30 June 2010</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
US-Dollar loans	304	304	1,861	8,638
Other bank borrowings	3,543	-	-	-
Non convertible bond	208	208	9,718	-
Finance lease obligations	414	414	1,429	4,531
Trade and other payables	7,104	-	-	-
<b>Total</b>	<b>11,573</b>	<b>926</b>	<b>13,008</b>	<b>13,169</b>

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

In assessing and managing liquidity risks of its derivative financial instruments, the Group considers both contractual inflows and outflows. As at 30 June 2012, the contractual cash flows of the Group's derivative financial assets and liabilities are as follows:

AASB 7.39(b)

AASB 7.B11

	Current	
	Within 6 months	6 to 12 months
30 June 2012	\$'000	\$'000
Gross settled forward contracts		
- Cash outflow	(212)	(6,978)
- Cash inflow	300	7,509
<b>Total</b>	<b>88</b>	<b>531</b>

AASB 7.34(a)

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

AASB 7.39(b)

AASB 7.B11

	Current	
	Within 6 months	6 to 12 months
30 June 2011	\$'000	\$'000
Gross settled forward contracts		
- Cash outflow	(190)	(7,100)
- Cash inflow	203	7,050
<b>Total</b>	<b>13</b>	<b>(50)</b>

AASB 7.39(b)

AASB 7.B11

	Current	
	Within 6 months	6 to 12 months
30 June 2010	\$'000	\$'000
Gross settled forward contracts		
- Cash outflow	(201)	(6,540)
- Cash inflow	202	7,060
<b>Total</b>	<b>1</b>	<b>520</b>

Derivative financial instruments reflect forward exchange contracts (see note 14.4) that will be settled on a gross basis.

### 35 Capital management policies and procedures

AASB 101.134

The Group's capital management objectives are:

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

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

AASB 101.135(a)(i)

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

AASB 101.135(a)(ii)

The Group's goal in capital management is to maintain a capital-to-overall financing ratio of 1:6 to 1:4. This is in line with the Group's covenants resulting from the subordinated loan it has taken out from its main shareholder in 2008.

AASB 101.135(a)(iii)

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities other than its subordinated loan. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarised as follows:

AASB 101.135(b)

	2012	2011	2010
	\$'000	\$'000	\$'000
Total equity	83,914	52,388	39,153
Subordinated loan	5,000	5,000	5,000
Cash flow hedges	(469)	160	(312)
Cash and cash equivalents	(34,789)	(11,237)	(10,007)
<b>Capital</b>	<b>53,656</b>	<b>46,311</b>	<b>33,834</b>
Total equity	83,914	52,388	39,153
Borrowings	25,815	24,644	25,223
<b>Overall financing</b>	<b>109,729</b>	<b>77,032</b>	<b>64,376</b>
<b>Capital-to-overall financing ratio</b>	<b>0.49</b>	<b>0.60</b>	<b>0.53</b>

AASB 101.135(d)

The Group has honoured its covenant obligations, including maintaining capital ratios, since the subordinated loan was taken out in 2008. The ratio reduction during 2012 is primarily a result of financing the acquisition of Goodtech (see note 5.1).

### 36 Parent entity information

Information relating to Grant Thornton CLEARR ('the parent entity')

	2012 \$'000	2011 \$'000
<b>Statement of financial position</b>		
Current assets	56,816	40,220
Total assets	96,751	96,153
Current liabilities	5,942	11,784
Total liabilities	41,355	54,015
Issued capital	13,770	12,000
Retained earnings	40,480	29,314
Asset revaluation reserve	800	689
Available for sale reserve	98	35
Cash flow hedge reserve	248	100
	<u>55,396</u>	<u>42,138</u>
<b>Statement of comprehensive income</b>		
Profit for the year	11,166	9,457
Other comprehensive income	<u>322</u>	<u>258</u>
Total comprehensive income	<u>11,488</u>	<u>9,715</u>

The parent entity has capital commitments of \$1.1m to purchase plant and IT equipment (2011:\$Nil). Refer note 33 for further details of the commitment.

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

### 37 Post-reporting date events

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

### 38 Authorisation of financial statements

The consolidated financial statements for the year ended 30 June 2012 (including comparatives) were approved by the board of directors on 31 August 2012.

B Smith  
(Board member 1)

S Murphy  
(Board member 2)

## Directors' declaration

- CA 295(4) 1 In the opinion of the directors of Grant Thornton CLEARR Example Pty Ltd:
- a the consolidated financial statements and notes of Grant Thornton CLEARR Example Pty Ltd are in accordance with the Corporations Act 2001, including
- CA 295(4)(d)(ii) i giving a true and fair view of its financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- CA 295(4)(d)(i) ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b there are reasonable grounds to believe that Grant Thornton CLEARR CA 295(4)(c) Example Pty Ltd will be able to pay its debts as and when they become due and payable.
- CA 295(4)(ca) 2 Note 2 confirms that the consolidated financial statements comply with International Financial Reporting Standards.
- CA 295(5)(a) Signed in accordance with a resolution of the directors:
- CA 295(5)(b) Dated at.....[city].....day of.....2012
- CA 295(5)(c) \_\_\_\_\_[Director name]  
Director

# Independent Auditor's Report

Grant Thornton Audit Pty Ltd  
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## Independent Auditor's Report

### To the Members of Grant Thornton CLEARR Example Pty Ltd

We have audited the accompanying financial report of Grant Thornton CLEARR Example Pty Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, notes comprising a summary of significant accounting policies, and other explanatory information and the directors' declaration of the Company of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply International Financial Reporting Standards.

#### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Grant Thornton CLEARR Example Pty Ltd as at the time of this auditor's report.

#### Auditor's opinion

In our opinion:

- a the financial report of Grant Thornton CLEARR Example Pty Ltd is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the consolidated financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A B Partner  
Partner - Audit & Assurance

Sydney, 31 August 2012

## Appendix A: Organising the income statement by function of expenses

### AASB 101.99

AASB 101.99 allows an 'income statement' format analysing expenses using a classification based on either the nature of expenses (NOE) or based on the function of expenses (FOE) within the entity. This depends on management's assessment of which format provides information that is reliable and more relevant.

The NOE format is illustrated in the main body of the example consolidated financial statements. The FOE format is illustrated in this appendix. The example shows the 'income statement' separately, i.e. other comprehensive income shall be shown in addition to the income statement in a statement of comprehensive income (see the example in appendix B).

If the entity shows the statement of comprehensive income in one statement (see the main body of the example financial statements), the FOE format included in this appendix may replace the NOE format that is part of the statement of comprehensive income.

The FOE or NOE formats do not affect the presentation requirements for other comprehensive income. Only the 'income statement' is affected.

### AASB 101.104

Presenting the income statement in the FOE format requires additional considerations:

- additional disclosures on the nature of certain expenses are required, including employee benefit expenses and depreciation, amortisation and impairment of non-financial assets
- the disclosures of the specific line items in the income statement where certain transactions or amounts are recognised (for example, see note 9, note 10 and note 21 of the example financial statements) should reflect the actual line items presented in the FOE income statement.

In addition, when an entity includes the analysis of profit or loss from discontinued operation in the notes to the financial statements (see note 19), such information should be presented in the same format as the main income statement. This will facilitate a better understanding of the financial effects of the discontinued operations.

# Consolidated Income Statement

For the year ended 30 June 2012

AASB 101.51		Notes	2012	2011
AASB 101.51(c)			\$'000	\$'000
AASB 101.51(d-e)				
AASB 101.82(a)	<b>Revenue</b>	8	206,193	191,593
AASB 101.85	Costs of sales		(111,523)	(103,606)
AASB 101.85	<b>Gross Profit</b>		<b>94,670</b>	<b>87,987</b>
AASB 101.85	Other Income		427	641
AASB 101.85	Distribution costs		(12,213)	(11,473)
AASB 101.85	Administrative expenses		(48,853)	(45,894)
AASB 101.85	Research and development costs		(1,690)	(1,015)
AASB 101.85	Changes in fair value of investment property	13	310	175
AASB 101.85	Other expenses		(11,032)	(11,270)
	<b>Operating Profit</b>		<b>21,619</b>	<b>19,151</b>
AASB 101.82(c)	Share of profit from equity accounted investments	7	60	12
AASB 101.82(b)	Finance costs	25	(3,473)	(3,594)
AASB 101.85	Finance income	25	994	793
AASB 101.85	Other financial items	26	3,388	3,599
	<b>Profit before tax</b>		<b>22,588</b>	<b>19,961</b>
AASB 101.82(d)	Tax expense	27	(7,132)	(6,184)
	<b>Profit for the year from continuing operations</b>		<b>15,456</b>	<b>13,777</b>
AASB 101.82(e)	Loss for the year from discontinued operations	19	(9)	(325)
AASB 101.82(f)	<b>Profit for the year</b>		<b>15,447</b>	<b>13,452</b>
	<b>Profit for the year attributable to:</b>			
AASB 101.83(a)(i)	Non-controlling interest		121	116
AASB 101.83(a)(ii)	Owners of the parent		15,326	13,336
			<b>15,447</b>	<b>13,452</b>

## Appendix B: Statement of comprehensive income presented in two statements

The main body in these example consolidated financial statements presents the statement of comprehensive income of **one** statement (see guidance note to the consolidated statement of comprehensive income).

In this appendix, the alternative of presenting the 'statement of comprehensive income' as **two** statements is presented (using the nature of expense method).

Disclosure requirements, however, remain unchanged (see guidance note to the consolidated statement of comprehensive income).

In general, the notes to the financial statements will need to be tailored so that they refer to the statement of comprehensive income and not the income statement, where appropriate. For example, tailoring is necessary to reflect that discontinued operations are shown as a separate line item in the statement of comprehensive income (see note 4.9). However, it should be noted that the term profit or loss continues to apply.

The illustrative **two** statements of comprehensive income are shown on the next two pages.

## Consolidated Income Statement

For the year ended 30 June 2012

AASB 101.51		Notes	2012	2011
AASB 101.51(c)			\$'000	\$'000
AASB 101.51(d-e)				
AASB 101.82(a)	<b>Revenue</b>	8	206,193	191,593
AASB 101.85	Other income		427	641
AASB 101.85	Changes in inventories		(7,823)	(5,573)
AASB 101.85	Costs of material		(42,634)	(40,666)
AASB 101.85	Employee benefits expense	21	(114,190)	(108,673)
AASB 101.85	Change in fair value of investment property	13	310	175
AASB 101.85	Depreciation, amortisation and impairment of non-financial assets		(7,942)	(6,061)
AASB 101.85	Other expenses		(12,722)	(12,285)
	<b>Operating Profit</b>		<b>21,619</b>	<b>19,151</b>
AASB 101.82(c)	Share of profit from equity accounted investments	7	60	12
AASB 101.82(b)	Finance costs	25	(3,473)	(3,594)
AASB 101.85	Finance income	25	994	793
AASB 101.85	Other financial items	26	3,388	3,599
	<b>Profit before tax</b>		<b>22,588</b>	<b>19,961</b>
AASB 101.82(d)	Tax expense	27	(7,132)	(6,184)
	<b>Profit for the year from continuing operations</b>		<b>15,456</b>	<b>13,777</b>
AASB 101.82(e)	Loss for the year from discontinued operations	19	(9)	(325)
AASB 101.82(f)	<b>Profit for the year</b>		<b>15,447</b>	<b>13,452</b>
<b>Profit for the year attributable to:</b>				
AASB 101.83(a)(i)	Non-controlling interest		121	116
AASB 101.83(a)(ii)	Owners of the parent		15,326	13,336
			<b>15,447</b>	<b>13,452</b>

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

		Notes	2012 \$'000	2011 \$'000
AASB 101.82(f)	<b>Profit for the year</b>		<b>15,447</b>	<b>13,452</b>
AASB 101.82(g)	<b>Other comprehensive income:</b>			
AASB 116.77(f)	Revaluation of land	11	303	-
	Cash flow hedging	14		
AASB 7.23(c-d)	- Current year gains (losses)		367	(47)
AASB 101.92	- Reclassification to profit or loss		260	(425)
	Available-for-sale financial assets	14		
AASB 7.20(a)(iii)	- Current year gains (losses)		113	35
AASB 101.92	- Reclassification to profit or loss		(50)	-
AASB 121.52(b)	Exchange differences on translating foreign operations		(664)	(341)
AASB 101.82(h)	Share of other comprehensive income of equity accounted investments		5	-
AASB 101.92	- Reclassification to profit or loss		(3)	-
AASB 101.90	Income tax relating to components of other comprehensive income	20	85	95
	<b>Other comprehensive income for the tax year, net of tax</b>		<b>416</b>	<b>(683)</b>
AASB 101.82(i)	<b>Total comprehensive income for the year</b>		<b>15,863</b>	<b>12,769</b>
	<b>Total comprehensive income for the year attributable to:</b>			
AASB 101.83(b)(i)	Non controlling interest		121	116
AASB 101.83(b)(ii)	Owners of the parent		15,742	12,653
			<b>15,863</b>	<b>12,769</b>

## Appendix C: Statement of cash flows presented using the indirect method

As permitted by AASB 107 Statement of Cash Flows paragraph 18 an entity may report cash flows from operating activities using either:

- a the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
- b the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Entities are encouraged to report cash flows from operating activities using the direct method. The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method.

The main body in these example consolidated financial statements presents the statement of cash flows using the direct method.

In this appendix, the alternative of using the indirect method is presented.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2012

AASB 101.51(c) AASB 101.51(d-e) AASB 107.10		Notes	2012 \$'000	2011 \$'000
	<b>Operating activities</b>			
	Profit before tax		22,588	19,961
	Adjustments		8,741	7,440
	Contributions to defined benefit plans		(1,186)	(1,273)
	Net changes in working capital		(2,133)	(1,092)
	Settling of derivative financial instruments		(33)	716
AASB 107.35	Taxes paid		(1,948)	(5,588)
	Net cash from continuing operations		26,029	20,164
AASB 5.33(c)	Net cash (used in) / from discontinued operations	19	(22)	811
	<b>Net cash from operating activities</b>		<b>26,007</b>	<b>20,975</b>
AASB 107.10	<b>Investing Activities</b>			
	Purchase of property, plant and equipment		(76)	(3,281)
	Proceeds from disposals of property, plant and equipment		86	-
	Purchase of other intangible assets		(3,666)	(3,313)
	Proceeds from disposals of other intangible assets		924	-
AASB 107.39	Acquisition of subsidiaries, net of cash	5	(15,714)	(12,076)
AASB 107.39	Proceeds from sale of subsidiaries, net of cash	5	3,117	-
	Proceeds from disposals and redemptions of non-derivative financial assets		228	132
AASB 107.31	Interest received	25	752	447
AASB 107.31	Dividends received	25	62	21
AASB 107.35	Taxes paid		(244)	(140)
	<b>Net cash used in investing activities</b>		<b>(14,531)</b>	<b>(18,210)</b>
AASB 107.10	<b>Financing Activities</b>			
	Proceeds from bank loans		1,441	-
	Repayment of bank loans		(3,778)	(649)
	Proceeds from issue of share capital		18,365	-
AASB 107.31	Interest paid	25	(1,035)	(907)
AASB 107.31	Dividends paid	29	(3,000)	-
	<b>Net cash from / (used in) financing activities</b>		<b>11,993</b>	<b>(1,556)</b>
AASB 107.45	<b>Net change in cash and cash equivalents</b>		<b>23,469</b>	<b>1,209</b>
	Cash and cash equivalents, beginning of year		11,259	10,007
AASB 107.28	Exchange differences on cash and cash equivalents		61	43
			34,789	11,259
	- Included in disposal group	19	-	(22)
AASB 107.45	<b>Cash and cash equivalents, end of year</b>	18	<b>34,789</b>	<b>11,237</b>

## Appendix D: Additional Disclosures for Mining Exploration Companies

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

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

## Summary of Accounting Policies

### 4 Interests in joint ventures

#### Jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by the Group and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

Where the Group's activities are conducted through jointly controlled assets, the Group recognises its share of the jointly controlled assets, and liabilities it has incurred, its share of liabilities incurred jointly with other venturers, related revenue and operating costs in the financial statements and a share of their production.

#### Jointly controlled entities

A jointly controlled entity is a corporation, partnership or other entity in which each venturer holds an interest.

A jointly controlled entity operates in the same way as other entities, except that a contractual arrangement establishes joint control. A jointly controlled entity controls the assets of the joint venture, earns its own income and incurs its own liabilities and expenses. Interests in jointly controlled entities are accounted for using the equity method.

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

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

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

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

#### 4.1 Mineral exploration, evaluation and development expenditure

##### Exploration and evaluation costs

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

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

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

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

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

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

##### Mine properties

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

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

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

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

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

#### 4.2 Inventories

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

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

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

#### 4.3 Rehabilitation provision

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

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

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

#### 4.4 Revenue recognition

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

##### Gold bullion sales

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

##### Base metal concentrate sales

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

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

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

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

#### 4.5 Deferred stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units-of-production basis.

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. Stripping costs incurred subsequently during the production phase of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine (or pit) ratio. The life of mine (or pit) ratio is based on economically recoverable reserves of the mine (or pit). Changes are accounted for prospectively, from the date of the change.

Deferred stripping costs are included as part of ‘Mine properties’.

#### 4.6 Significant Management Judgements in Applying Accounting Policies

##### Estimation Uncertainty

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

##### Mine rehabilitation provision

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

##### Ore reserve and resource estimates

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the JORC Code)). Reserves determined in this way are taken into account in the calculation of depreciation, amortisation, impairment, deferred mining costs, rehabilitation and environmental expenditure.

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

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

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

##### Units-of-production depreciation

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

#### Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

#### Deferred stripping expenditure

The Group defers advanced stripping costs incurred during the production stage of its operations. This calculation requires the use of judgments and estimates such as estimates of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result. Changes in a mine's life and design will usually result in changes to the expected stripping ratio (waste to mineral reserves ratio).

#### Inventories

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

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

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

## 5 Interests in joint ventures

### Jointly controlled assets

Grant Thornton CLEARR, jointly with other participants, owns certain exploration and production assets. Grant Thornton CLEARR's share is XX%.

Summarised financial statement information for the Group's share of jointly controlled assets and operations is disclosed below:

	2012 \$'000s	2011 \$'000s
<b>Non-current assets</b>		
Exploration and evaluation assets		
Mine properties		
Other property, plant and equipment		
<b>Current assets</b>		
Accounts receivable		
Inventories		
Financial assets		

The aggregate of the Group's commitments through jointly controlled assets is:

Capital  
Exploration and other commitments

### Interests in jointly controlled entities

Grant Thornton CLEARR has a XX% interest in Foolsgold Limited, a jointly controlled entity, the principal activities of which are the production of gold and mineral exploration. The interest in this joint venture is accounted using the equity accounting method.

Summarised financial statement information of the equity accounted joint venture entity is disclosed below:

	2012 \$'000s	2011 \$'000s
Sales and other operating revenues		
Finance costs and other finance expense		
Profit before taxation		
Taxation		
Profit for the year		
Non-current assets		
Current assets		
Total assets		
Current liabilities		
Non-current liabilities		
Total liabilities		

## 6 Exploration and evaluation assets

\$'000s

### Cost as at 1 July 2010

Additions

Exploration expenditure written off

Transfer to Mine Properties

### Cost as at 30 June 2011

Additions

Exploration expenditure written off

Transfer to Mine Properties

### Cost as at 30 June 2012

### Provision for impairment as at 1 July 2010

Impairment charge for the year

Reversal of previously booked impairments

### Provision for impairment as at 30 June 2011

Impairment charge for the year

Reversal of previously booked impairments

### Provision for impairment as at 30 June 2012

### Net book value as at 30 June 2011

### Net book value as at 30 June 2012

Exploration and evaluation expenditure immediately expensed to 'other expenses' in profit or loss amount to \$XX million (2011: \$XX million).

7 Mine properties

	Mines	Deferred stripping	Total
	\$'000s	\$'000s	\$'000s
<b>Cost as at 1 July 2010</b>			
Additions			
Transferred from exploration and evaluation assets			
Change in rehabilitation provision			
Disposals			
<b>Cost as at 30 June 2011</b>			
Additions			
Transferred from exploration and evaluation assets			
Change in rehabilitation provision			
Disposals			
<b>Cost as at 30 June 2012</b>			
<b>Depletion and impairment as at 1 July 2010</b>			
Charge for the year			
Provision for impairment			
Disposals			
<b>Depletion and impairment as at 30 June 2011</b>			
Charge for the year			
Provision for impairment			
Disposals			
<b>Depletion and impairment as at 30 June 2012</b>			
<b>Net book value as at 30 June 2011</b>			
<b>Net book value as at 30 June 2012</b>			

8 Inventories

	2012	2011
	\$'000s	\$'000s
At cost:		
Gold bullion		
Base metals concentrate		
Metal in circuit		
Ore stockpiles		
Materials and supplies		
<b>Total inventories</b>		

9 Provisions

	Rehabilitation	Other	Total
	\$'000s	\$'000s	\$'000s
<b>At 1 July 2011</b>			
Arising during the year			
Write-back of unused provisions			
Disposals			
Unwinding of discount			
Utilisation			
<b>At 30 June 2012</b>			

Comprising:

Current 2012

Non-current 2012

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Current 2011

Non-current 2011

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#### Rehabilitation provision

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

