

# Example unlisted public financial statements

Grant Thornton CLEARR Example Ltd  
For the year ended 30 June 2017



# Foreword

Welcome to the June 2017 edition of the example unlisted public financial statements. This set of illustrative financial statements is one of many prepared by Grant Thornton to assist you in preparing your own financial statements.



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

While it is pleasing to report that there are only a few limited scope amendments applying for the first time to financial years ending 30 June 2017, it is important to recognise that this is a period of 'calm before the storm'. The next wave of IFRSs is just around the corner with four major accounting standards on revenue, financial instruments, leases and income of not-for-profit entities coming into effect in the next couple of years. These standards are expected to have the greatest impact on financial statements since Australia's adoption of IFRSs in 2005. As we move closer to the mandatory implementation of these standards, regulators are increasing pressure on businesses to carefully assess the impact of these standards, prepare for implementation, and make clear disclosures on the likely impact on financial statements and transaction documents pre-adoption. Accordingly, it is paramount that businesses use this period of calm to fully understand these changes and start developing their detailed implementation plans.

Our objective in preparing the example financial statements was to illustrate one possible approach to financial reporting by an entity engaging in transactions that are 'typical' across a range of non-specialist sectors.

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

We have reviewed and updated these financial statements to reflect changes in Australian Accounting Standards that are effective for the year ending 30 June 2017. However, no account has been taken of any new developments published after 28 April 2017. The Grant Thornton website contains any updates that are relevant for 30 June 2017 financial statements, including our Technical Accounting Alerts on "What's new for June 2017" and "Accounting standards issued but not yet effective for June 2017".

We trust this publication will help you work through the upcoming June 2017 reporting season. We welcome your feedback on the format and content of this publication. Please contact us on [nationalaudit.support@au.gt.com](mailto:nationalaudit.support@au.gt.com) or get in touch with your local Grant Thornton representative to let us know your thoughts.

A handwritten signature in black ink, consisting of a stylized 'M' followed by a long horizontal line.

**Matt Adam-Smith**  
National Head of Audit & Assurance  
Grant Thornton Australia Limited  
May 2017

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# Directors' Report

The Directors of Grant Thornton CLEARR Example Ltd (Grant Thornton CLEARR) present their report together with the financial statements of the Consolidated Entity, being Grant Thornton CLEARR (the Company) and its controlled entities (the Group) for the year ended 30 June 2017 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**  
**B. Eng**

Managing Director  
Director since 2010

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

**Ms Beth King**  
**CA, MBA**  
**Independent Non-Executive Director**

Audit and Risk Committee Chair and Member of the Nomination and Remuneration Committee  
Director since 2008

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

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

Independent Non-Executive Director  
Independent Chairman / Nomination and Remuneration Committee Chair and Member of Audit and Risk Committee  
Director since 2013

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

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

Chief Executive Officer  
Director since 2012

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

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

Appointed 28 May 2017  
Independent Non-Executive Director  
Member of the Nomination and Remuneration Committee and Member of Audit and Risk Committee

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

CA 300(10)(a)

CA 300 (10)(d)

## Company Secretary

Nick Morgan is a Chartered Accountant and the Group Chief Financial Officer. Nick has held senior positions with a number of professional accounting firms and has a Degree in Commerce. Nick has been the Company Secretary of Grant Thornton CLEARR for four (4) years.

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
- 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 Group is a key participant in the IT and Telecommunications services market, holding a market share of approximately 35%. While the Group's Services and Retail segments have a diverse customer base, 12% of the Consulting segments revenue depended on a single customer (2016: 11%).

In April 2017, the Group announced that it had been the target of an unsolicited takeover offer. The Directors believed that this offer significantly undervalued the Group. The offer caused some disruption, diverting management time from daily operations, and the Group incurred one-off costs of approximately \$0.2m in relation to the offer. The offer has since been withdrawn.

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

The operating result of the Group has increased to \$15.4m (2016: \$13.2m); this is mainly due to the cost control measures implemented during the year which have allowed increased revenue with a lower proportionate cost base.

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

Additional capital raising activities were undertaken during the year which raised \$16.7m and allowed the Group to fund the Goodtech acquisition via a cash settlement as well as positioning the Group in a strong cash position for 2018 to allow for future acquisitions, if appropriate opportunities arise.

The Group's net assets increased by 63% compared to the previous year, which is largely due to the Group's capital raising activities.

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

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

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

CA 299(1)(b)

## Significant changes in the state of affairs

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

- acquisition of Goodtech Ltd:
  - on 30 September 2016, the Group acquired 100% of the equity instruments of Goodtech Ltd (Goodtech), a Brisbane based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the retail market for computer and telecommunications hardware in Australia. Goodtech is a significant business in Australia in the Group's targeted market. The cost of the acquisition was \$16.06m which was settled in cash
- disposal of Highstreet Limited:
  - on 31 March 2017, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Limited. The subsidiary was classified as held for sale in the 2014 financial statements. There was a loss on disposal of \$29,000
- issue of share capital:
  - on 31 March 2017, the Group issued 1,500,000 shares as part of its capital raising program which resulted in proceeds of \$16.7m, each share has the same terms and conditions as the existing ordinary shares

## Dividends

CA 300(1)(a)

In respect of the current year, a fully franked interim dividend of \$3,000,000 (25 cents per share) was paid on 31 March 2017 (2016: \$Nil).

CA 300(1)(b)

In addition to the interim dividend and since the end of the financial year, Directors have declared a fully franked final dividend of \$6,885,000 (50 cents per share) to be paid on 15 October 2017 (2016: \$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 has significantly affected or may significantly affect either:

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

CA 299(1)(e)

## Likely developments

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

- upgrading our online sales portal
- further expanding our distribution networks
- further reducing manufacturing costs; and
- a strong marketing campaign.

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

We are continually considering ways of reducing the Group's cost of manufacturing. The Directors are giving consideration to a major upgrade of production-line technology to improve efficiency. The Directors expect to receive the results of a feasibility study within the next six (6) months, and the various options will be considered at that time.

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

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

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

## Directors' meetings

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

Board Member	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Blake Smith	12	12	-	-	-	-
Beth King	12	12	4	4	1	1
Simon Murphy	12	11	4	4	1	1
Alison French	12	12	-	-	-	-
William Middleton	2	2	1	1	-*	-

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

Where:

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

## Unissued shares under option

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

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

Date options granted	Expiry date	Exercise price of shares (\$)	Number under option
5 July 2012	4 July 2017	5.74	90,749
1 July 2013	30 June 2018	6.24	29,175
1 August 2016	30 June 2021	7.61	100,000
<b>Total under option</b>			<b>219,924</b>

All options expire on the earlier of their expiry date or termination of the employee's employment. These options were issued under either the Star or Stay Program (described in Note 22.2 to the financial statements) and have been allotted to individuals on condition that they serve specified time periods as an employee of the Group before becoming entitled to exercise the options. These options do not entitle the holder to participate in any share issue of the Company.

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

CA 300(1)(f)

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

Date options granted	Issue price of shares (\$)	Number of shares issued
1 July 2013	6.24	270,000

## Environmental legislation

CA 299 (1f)

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

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

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

### Insurance of 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.

CA 300(9)(c)

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

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

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

### Indemnity of auditors

CA 300(1)(g),(8)(b),(9)(a),(f) The Group has agreed to indemnify its auditors, Grant Thornton, to the extent permitted by law, against any claim by a third party arising from the Group's breach of its agreement. The indemnity requires the Group to meet the full amount of any such liabilities including a reasonable amount of legal costs.

### Proceedings of behalf of the Company

CA 300(14) / (15) No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### Rounding of amounts

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

### Auditors Independence Declaration

CA 307C A copy of the Auditor's Independence Declaration as required under s.307C of the *Corporations Act 2001* is included in page 7 of this financial report and forms part of this Director's Report.

CA 298 (2a) Signed in accordance with a resolution of the Directors.

CA 298 (2c) Blake Smith  
Director

CA 298 (2b) 28 August 2017

# Auditor's Independence Declaration

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

**T** +61 2 8297 2400  
**F** +61 2 9299 4445  
**E** [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
**W** [www.grantthornton.com.au](http://www.grantthornton.com.au)

## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF GRANT THORNTON CLEAR EXAMPLE LTD

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Grant Thornton CLEAR Example Ltd for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A B Partner  
Partner – Audit & Assurance  
Sydney, 28 August 2017

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

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

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

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

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

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

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

According to AASB 101.90, an entity shall disclose the amount of income tax relating to each component of other comprehensive income either on the face of the statement of profit or loss and other comprehensive income or in the notes. In this example, the entity presents components of other comprehensive income before tax with one amount shown for the aggregate amount of income tax relating to all components of other comprehensive income (AASB 101.91(b)). Alternatively, the entity may present each component of other comprehensive income net of related tax effects (AASB 101.91(a)). If the tax effects of each component of other comprehensive income are not presented on the face of the statement, this information shall be presented in the notes (see Note 20).

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
AASB 101.51(c)			
AASB 101.51(d-e)			
AASB 101.82(a)	5	205,793	191,228
AASB 101.85		427	641
AASB 101.85		(7,923)	(5,623)
AASB 101.85		(42,434)	(40,485)
AASB 101.85	22	(113,809)	(109,515)
AASB 101.85	16	310	175
AASB 101.85	15	(2,735)	(3,575)
AASB 101.85	19	(3,528)	(3,501)
AASB 101.85	18	(799)	(190)
AASB 101.85	19	(870)	-
AASB 101.85		(12,878)	(10,061)
		<b>21,554</b>	<b>19,094</b>
AASB 101.82(c)	14	391	141
AASB 101.82(b)	6	(1,490)	(1,876)
AASB 101.85	6	994	793
AASB 101.85	7	943	1,182
		<b>22,392</b>	<b>19,334</b>
AASB 101.82(d)	8	(6,910)	(5,763)
		<b>15,482</b>	<b>13,571</b>
AASB 101.82(ea)	9	(9)	(325)
AASB.101.82(f)		<b>15,473</b>	<b>13,246</b>
AASB.101.82(g)		<b>Other comprehensive income</b>	
AASB 101.82A		<i>Items that will not be reclassified subsequently to profit or loss:</i>	
AASB.116.77(f)	15	303	-
AASB 119.120(c)	22	3,830	(3,541)
AASB 101.91	24	(1,240)	1,062
AASB 101.82A		<i>Items that may be reclassified subsequently to profit or loss</i>	
	12	Cash flow hedging:	
AASB 7.23(c-d)		367	(47)
AASB 101.92		260	(425)

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

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

For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
	12		
Available-for-sale financial assets:			
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		2	-
AASB 101.91 Income tax on items that may be reclassified to profit or loss	24	176	95
<b>Other comprehensive income for the period, net of income tax</b>		<b>3,097</b>	<b>(3,162)</b>
AASB 101.82(i) <b>Total comprehensive income for the period</b>		<b>18,570</b>	<b>10,084</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		15,352	13,130
		<b>15,473</b>	<b>13,246</b>
Total comprehensive income attributable to:			
AASB 101.83(b)(i) • non-controlling interest		121	116
AASB 101.83(b)(ii) • owners of the parent		18,449	9,968
		<b>18,570</b>	<b>10,084</b>
AASB 5.33(d) Total comprehensive income attributable to owners of the parent:			
• continuing operations		18,458	10,293
• discontinued operations		(9)	(325)
		<b>18,449</b>	<b>9,968</b>

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

### **Guidance Note: Consolidated Statement of Financial Position**

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

If the entity:

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

the entity shall present a statement of financial position as at the beginning of the earliest comparative period, i.e. an extra comparative statement of financial position at, for example, 1 July 2016 (AASB 101.10(f) and AASB 101.39). Grant Thornton CLEARR Example Ltd has included a third statement of financial position to reflect the Group's correction of a prior period error.

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

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

# Consolidated Statement of Financial Position

As of 30 June 2017

	Notes	2017 \$'000	2016 \$'000	1 July 2016 \$'000
AASB 101.51(c)		<b>Assets</b>		
AASB 101.60, AASB 101.66		<b>Current</b>		
AASB 101.54(i)	10	34,729	11,197	9,987
AASB 101.54(h)	11	33,629	25,406	20,719
AASB 101.54(d)	12	655	649	631
AASB 101.54(g)	13	18,298	17,226	18,571
AASB 101.55	12	582	212	490
AASB 101.54(n)		-	337	-
		87,893	55,027	50,398
AASB 101.54(j)	9	103	3,908	-
AASB 101.60		<b>87,996</b>	<b>58,935</b>	<b>50,398</b>
AASB 101.60, AASB 101.66		<b>Non-current</b>		
AASB 101.54(e), AASB 128.38	14	860	467	104
AASB 101.54(a)	15	22,199	20,397	20,746
AASB 101.54(b)	16	12,662	12,277	12,102
AASB 101.54(d)	12	3,765	3,880	4,327
AASB 101.54(o), AASB 101.56	17	-	901	852
AASB 101.57	18	5,041	3,537	1,234
AASB 101.54(c)	19	17,424	13,841	10,664
AASB 101.60		<b>61,951</b>	<b>55,300</b>	<b>50,029</b>
AASB 101.55		<b>149,947</b>	<b>114,235</b>	<b>100,427</b>
AASB 101.51(c-e)		<b>Liabilities</b>		
AASB 101.60, AASB 101.69		<b>Current</b>		
AASB 101.54(k)	20	8,497	6,550	7,672
AASB 101.54(m)	12	5,327	3,885	3,818
AASB 101.54(m)	12	-	160	-
AASB 101.54(l)	21	1,215	3,345	4,400
AASB 101.55	22	1,467	1,496	1,336
AASB 101.54(n)		3,068	-	208
AASB 101.55	23	2,758	3,475	2,832
		22,332	18,911	20,266
AASB 101.54(p)	9	-	449	-
AASB 101.55		<b>22,332</b>	<b>19,360</b>	<b>20,266</b>
AASB 101.60, AASB 101.69		<b>Non-current</b>		
AASB 101.54(k)	20	-	-	4,765
AASB 101.54(m)	12	25,060	25,724	21,405
AASB 101.55	22	10,386	13,642	8,932
AASB 101.54(o), AASB 101.56	17	1,907	-	-
AASB 101.55	23	2,020	1,500	1,600
AASB 101.55		<b>39,373</b>	<b>40,866</b>	<b>36,702</b>
AASB 101.55		<b>61,705</b>	<b>60,226</b>	<b>56,968</b>
AASB 101.55		<b>88,242</b>	<b>54,009</b>	<b>43,459</b>

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

# Consolidated Statement of Financial Position (continued)

As of 30 June 2017

	Notes	2017 \$'000	2016 \$'000	1 July 2016 \$'000
<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(r)	• share option reserve	764	466	-
AASB 101.55	• other components of equity	24	(657)	2,505
AASB 101.54(r)	• retained earnings	50,910	35,558	25,428
		87,529	50,417	42,983
AASB 101.54(q)	Non-controlling interest	713	592	476
AASB 101.55	<b>Total equity</b>	<b>88,242</b>	<b>51,009</b>	<b>43,459</b>

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

### **Guidance Note: Consolidated Statement of Changes in Equity**

Entities may present the required reconciliations for each component of Other Comprehensive Income (OCI) 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 24.2). 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 4.23).

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Notes	Share capital \$'000	Share option reserve \$'000	Other components of equity \$'000	Retained earnings \$'000	Total attributable to owners of parent \$'000	Non-controlling interest \$'000	Total equity \$'000
AASB 101.51(d-e)								
AASB 101.106(d)		<b>15,050</b>	-	<b>2,505</b>	<b>25,363</b>	<b>42,918</b>	<b>476</b>	<b>43,394</b>
AASB 101.106(b)	3.1	-	-	-	65	65	-	65
AASB 101.106(d)		<b>15,050</b>	-	<b>2,505</b>	<b>25,428</b>	<b>42,983</b>	<b>476</b>	<b>43,459</b>
	22	-	466	-	-	466	-	466
AASB 101.106(d)(iii)		-	466	-	-	466	-	466
		-	-	-	13,115	13,115	116	13,231
	3.1	-	-	-	15	15	-	15
AASB 101.106(d)(i)		-	-	-	13,130	13,130	116	13,246
AASB 101.106A	24	-	-	(3,162)	-	(3,162)	-	(3,162)
		-	-	<b>(3,162)</b>	<b>13,130</b>	<b>9,968</b>	<b>116</b>	<b>10,084</b>
AASB 101.106(d)		<b>15,050</b>	<b>466</b>	<b>(657)</b>	<b>38,558</b>	<b>53,417</b>	<b>592</b>	<b>54,009</b>
AASB 101.106(d)		15,050	466	(657)	38,558	53,417	592	54,009
	25	-	-	-	(3,000)	(3,000)	-	(3,000)
	24	1,685	-	-	-	1,685	-	1,685
	22	-	298	-	-	298	-	298
	24	16,680	-	-	-	16,680	-	16,680
AASB 101.106(d)(iii)		18,365	298	-	(3,000)	15,663	-	15,663
AASB 101.106(d)(i)		-	-	-	15,352	15,352	121	15,473
AASB 101.106(d)(ii)	24	-	-	3,097	-	3,097	-	3,097
		-	-	<b>3,097</b>	<b>15,352</b>	<b>18,449</b>	<b>121</b>	<b>18,570</b>
AASB 101.106(d)		<b>33,415</b>	<b>764</b>	<b>2,440</b>	<b>50,910</b>	<b>87,529</b>	<b>713</b>	<b>88,242</b>

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

**Comments: 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)).



# Notes to the Consolidated Financial Statements

## 1 Nature of operations

AASB 101.51(a)  
AASB 101.51(b)

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

AASB 101.138(b)

These activities are grouped into the following service lines:

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

## 2 General information and statement of compliance

AASB 1054.7 – 1054.9

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.

AASB 101.16

AASB 1054.8(b)

AASB 101.138(a)  
AASB 101.138(c)

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

AASB 101.51(c)  
AASB 110.17

The consolidated financial statements for the year ended 30 June 2017 were approved and authorised for issue by the Board of Directors on 28 August 2017.

## 3 Changes in accounting policies

AASB 108.29

### 3.1 Correction of prior period error

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

Statement of financial position (extract)	30 June 2016			30 June 2015		
	Previous amount \$'000	Adjustment \$'000	Restated amount \$'000	Previous amount \$'000	Adjustment \$'000	Restated amount \$'000
Property, plant and equipment	21,407	(650)	20,397	21,421	(675)	20,746
Deferred tax asset	955	(54)	901	895	(43)	852
Current borrowings	(3,498)	119	(3,379)	(3,936)	118	(3,818)
Non-current borrowings	(21,930)	665	(21,265)	(22,070)	665	(21,405)
Net assets	53,929	80	54,009	43,394	65	43,459
Retained earnings	(35,478)	(80)	(35,558)	(25,363)	(65)	(25,428)
<b>Total equity</b>	<b>(51,089)</b>	<b>(80)</b>	<b>(51,009)</b>	<b>(43,394)</b>	<b>(65)</b>	<b>(43,459)</b>

Statement of profit or loss and other comprehensive income (extract)	30 June 2016		
	Previous amount \$'000	Adjustment \$'000	Restated amount \$'000
Changes in inventories	(5,637)	(14)	(5,623)
Finance costs	(1,914)	38	(1,876)
Profit before income tax	19,313	21	19,334
Income tax expense	(5,757)	(6)	(5,763)
Loss from discontinued operation	(325)	-	(325)
Profit for the period	13,231	15	13,246
Other comprehensive income	(3,162)	-	(3,162)
<b>Total comprehensive income for the period</b>	<b>10,069</b>	<b>15</b>	<b>10,084</b>
Total comprehensive income attributable to:			
• non-controlling interests	116	-	116
• owners of the Parent	9,953	15	9,968
	<b>10,069</b>	<b>15</b>	<b>10,084</b>

AASB 108.28

### 3.2 New and revised standards that are effective for these financial statements<sup>1</sup>

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2016. Information on the more significant standard(s) is presented below.

#### *AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*

The amendments to AASB 11 *Joint Arrangements* state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 *Business Combinations*, should:

- apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not re-measured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

AASB 2014-3 is applicable to annual reporting periods beginning on or after 1 January 2016.

The adoption of these amendments has not had a material impact on the Group.

#### *AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

<sup>1</sup> The discussion of the initial application of AASBs / IFRSs needs to be disclosed only in the first financial statements after the new or revised requirements have been adopted by the entity.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

AASB 2014-4 is applicable to annual reporting periods beginning on or after 1 January 2016.

The adoption of these amendments has not had a material impact on the Group.

#### *AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*

AASB 2014-6 defines bearer plants and requires bearer plants to be accounted for as property, plant and equipment within the scope of AASB 116 *Property, Plant and Equipment* instead of AASB 141 *Agriculture*.

The produce growing on bearer plants will remain within the scope of AASB 141.

AASB 2014-6 is applicable to annual reporting periods beginning on or after 1 January 2016.

The adoption of these amendments has not had a material impact on the Group.

#### *AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

AASB 2014-9 is applicable to annual reporting periods beginning on or after 1 January 2016.

The adoption of these amendments has not had a material impact on the Group.

#### *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative Project.

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information;
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated;
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position;
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order;
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy.

AASB 2015-2 is applicable to annual reporting periods beginning on or after 1 January 2016.

The adoption of these amendments has not had a material impact on the Group.

### 3.3 Accounting Standards issued but not yet effective and not been adopted early by the Group

AASB 108.30  
AASB 108.31

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

## 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.

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.

### 4.2 Basis of consolidation

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

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 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.

AASB 10.B88

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

AASB 10.22  
AASB 10.B94

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

### 4.3 Business combination

AASB 101.117(a)  
AASB 101.117(b)

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 arrangements

AASB 128.3 Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

AASB 11.16 A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

AASB 128.10 Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

AASB 11.24 Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

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

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

#### 4.5 Foreign currency translation

AASB 121.53  
AASB 101.51(d) **Functional and presentation currency**

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

##### Foreign currency transactions and balances

AASB 101.117(a)  
AASB 101.117(b) Foreign currency transactions are translated into the functional currency of the respective Group Entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

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

##### Foreign operations

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

On consolidation, assets and liabilities have been translated into Australian-Dollars (\$AUD) at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into \$AUD at the closing rate. Income and expenses have been translated into \$AUD at the average rate<sup>2</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.

AASB 118.35(a)

## 4.6 Revenue

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

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

AASB 101.117(b)

### Sale of goods (hardware or software)

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

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

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

AASB 101.117(b)

### Rendering of services

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

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

The Group also earns rental income from operating leases of its investment properties (see Note 16). Rental income is recognised on a straight-line basis over the term of the lease.

### Construction contracts for telecommunication solutions

AASB 101.117(b)

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

AASB 111.39(b)  
AASB 118.35(a)

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

<sup>2</sup> Note that the use of average rates is appropriate only if rates do not fluctuate significantly (AASB 121.40).

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

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

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

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

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

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

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 6).

#### 4.9 Profit or loss from discontinued operations

AASB 101.117(b)  
AASB 5.32

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

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

AASB 5.33

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also Note 4.20), is further analysed in Note 9.

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 acknowledged as intangible assets at their fair values (see Note 4.3).

##### *Internally developed software*

AASB 138.57 Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred.

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

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

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

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

##### *Subsequent measurement*

AASB 138.118(a)  
AASB 138.118(b)

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 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(c)  
AASB 101.117(a)  
AASB 101.117(b)

Land held for use in production or administration is stated at revalued amounts. Revalued amounts are fair market values based on appraisals prepared by external professional valuers once every two (2) 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

AASB 101.117(a)  
AASB 101.117(b)

##### Finance leases

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

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

AASB 101.117(b)

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

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

#### 4.16 Financial instruments

AASB 7.21  
AASB 101.117(b)  
AASB 101.117(a)

Recognition, initial measurement and derecognition

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

AASB 7.B5(f)

All financial assets except for those at fair value through profit or loss (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 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)  
AASB 7.B5(a)

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

Financial assets at fair value through profit or loss (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)

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

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

AASB 7.B5(f)

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

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

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

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

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

AASB 101.117(a)  
AASB 101.117(b)

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

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

#### Classification and subsequent measurement of financial liabilities

AASB 101.117(b)

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

AASB 101.117(a)

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss (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 the 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 any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

#### 4.17 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)  
AASB 101.122

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.

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 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.

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

AASB 101.117(a)

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within twelve (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).

#### 4.21 Equity, reserves and dividend payments

AASB 101.79(b)

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

Other components of equity include the following:

- **revaluation reserve:** comprises gains and losses from the revaluation of land (see Note 4.12)
- **net defined benefit liability:** comprises the actuarial losses from changed in demographic and financial assumptions and the return on plan assets (see Note 4.23)
- **foreign currency translation reserve:** comprises foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into Australian Dollars (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 include all current and prior period retained profits.

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

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

## 4.22 Employee benefits

### Short-term employee benefits

AASB 119.11

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

### Other long-term employee benefits

AASB 119.8, 155, 156

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

AASB 101.69(d)

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

### Post-employment benefit plans

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

### Defined contribution plans

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

### *Defined Benefit Plans (DBP)*

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

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

AASB 101.117(a) Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth and mortality. Discount rates are determined by reference to market yields at the end of the reporting periods on high quality corporate bonds (2014: government bonds) that have terms to maturity approximating to the terms of the related pension liability.

AASB 119.57(d) Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income. They are included as a separate component of equity in the statement of financial position and in the statement of changes in equity.

AASB 119.103 Service cost on the net defined benefit liability is included in employee benefits expense. Net interest expense on the net defined benefit liability is included in finance costs.

### **4.23 Share-based employee remuneration**

AASB 101.117(b) The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

AASB 101.117(a) All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

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

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

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

### **4.24 Provisions, contingent liabilities and contingent assets**

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

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

AASB 101.117(a) Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

AASB 101.117(a) No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

#### 4.25 Goods and Services Tax (GST)

Interpretation 1031 Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

#### 4.26 Rounding of amounts

ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 AASB 101.51(e) The parent entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000, or in certain cases, the nearest dollar.

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

AASB 101.122 When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

##### Significant management judgement

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

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

Determining when to recognise revenues from after-sales 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).

#### *Control assessment*

Refer to Note 32.1.

#### *Estimation uncertainty*

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

#### *Impairment*

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.14). In 2017, the Group recognised an impairment loss on goodwill (see Note 18) and internally generated software (see Note 19).

#### *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 31.1).

#### *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 ongoing construction contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty (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 22.3).

### Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 35).

## 5 Revenue

The Group's revenue is analysed as follows for each major product and service category (excluding revenue from discontinued operations):

AASB 118.35(b)	2017 \$'000	2016 \$'000
Sale of hardware	47,585	39,145
Sale of software	24,513	20,165
Other	3,679	3,756
AASB 118.35(b)(i)	75,777	63,066
After-sales service and maintenance	18,140	17,832
Consulting	59,837	60,116
AASB 111.39(a)	50,973	49,186
Other revenue	1,066	1,028
AASB 118.35(b)(ii)	130,016	128,162
<b>Group revenue</b>	<b>205,793</b>	<b>191,228</b>

## 6 Finance costs and finance income

Finance costs for the reporting periods consist of the following:

AASB 7.20(b)	2017 \$'000	2016 \$'000
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)	1,015	985
Total interest expenses for financial liabilities not at fair value through profit or loss (FVTPL)	1,015	985
AASB 123.26(a)	(80)	(78)
Less: interest expenses capitalised into intangible assets	(80)	(78)
	<b>935</b>	<b>907</b>
AASB 119.120A(g)(ii)	505	549
Defined benefit obligation interest expenses	505	549
Unwinding of discount relating to contingent consideration liability	20	-
AASB 7.20(a)(i)	30	70
Loss on foreign currency financial liabilities designated at FVTPL	30	70
AASB 7.20(a)	-	350
Impairment of investment in XY Ltd (AFS)	-	350
	<b>1,490</b>	<b>1,876</b>

AASB 123.26(b) Interest expenses capitalised into intangible assets were capitalised at a rate of 4.4% per annum (2016: 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 2016 for the investment in XY Ltd, which is carried at cost less impairment charges as its fair value cannot be measured reliably (see Note 12.3).

Finance income for the reporting periods consists of the following:

	2017 \$'000	2016 \$'000
	583	266
AASB 7.20(b)	169	181
AASB 7.20(b)	<b>752</b>	<b>447</b>
AASB 118.35(b)(v)	40	-
AASB 118.35(b)(v)	22	21
AASB 7.20(a)(i)	130	325
AASB 7.20 (a)(ii)	50	-
	<b>994</b>	<b>793</b>

## 7 Other financial items

Other financial items consist of the following:

	2017 \$'000	2016 \$'000
AASB 7.20(a)(i), AASB 121.52(a)	6	18
AASB 7.20(a)(iv)	937	1,164
	<b>943</b>	<b>1,182</b>

## 8 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% (2016: 30%) and the reported tax expense in profit or loss are as follows<sup>3</sup>:

	2017 \$'000	2016 \$'000
AASB 112.81(c)(i)	22,392	19,334
	30%	30%
AASB 112.85	<b>6,718</b>	<b>5,900</b>
	16	18
AASB 112.84	Adjustment for tax-exempt income:	
AASB 112.84	(18)	(4)
	(63)	(117)
AASB 112.84	Adjustment for non-deductible expenses:	
	240	57
	17	9
	<b>6,910</b>	<b>5,763</b>
	Tax expense comprises:	
	5,798	5,164

<sup>3</sup> Examples of major components of tax expense are included in AASB 112.80.

	2017 \$'000	2016 \$'000
Deferred tax expense / (income):		
• origination and reversal of temporary differences	1,037	374
• utilisation of unused tax losses	75	225
<b>Tax expense</b>	<b>6,910</b>	<b>5,763</b>
Deferred tax expense / (income), recognised directly in other comprehensive income	(1,064)	(1,157)

Note 17 provides information on deferred tax assets and liabilities. Note 24.2 provides information on deferred income tax recognised directly in each component of other comprehensive income.

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

AASB 5.41(a)-(d)

At the end of 2016, management decided to discontinue in-store sales of IT and telecommunications hardware. This decision was taken in line with the Group's strategy to focus on its online retail business. Consequently, assets and liabilities allocable to Highstreet Ltd and subsidiaries (included in the retail segment) were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of profit or loss and other comprehensive income (see loss for the year from discontinued operations).

AASB 107.40(a)

On 31 March 2017, 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 31.3).

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:

	2017 \$'000	2016 \$'000
AASB 5.33(b)(i)		
Revenue	9,803	11,015
Costs of material	(3,540)	(3,633)
Employee benefits expense	(6,100)	(6,411)
Depreciation and amortisation	-	(765)
Other expenses	(90)	(100)
Operating profit	73	106
Finance costs	(56)	(60)
Profit from discontinued operations before tax	17	46
AASB 5.33(b)(ii), also		
AASB 112.81(h)		
Tax expense	(5)	(14)
<b>Profit for year</b>	<b>12</b>	<b>32</b>
Gain / (loss) on re-measurement and disposal:		
AASB 5.33(b)(iii)		
• 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 2018.

AASB 5.38

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

	2017 \$'000	2016 \$'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:

	2017 \$'000	2016 \$'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.

## 10 Cash and cash equivalents

AASB 107.45

Cash and cash equivalents consist the following:

	2017 \$'000	2016 \$'000
Cash at bank and in hand:		
• Australian Dollar (\$AUD)	24,292	7,827
• British Pound (£GBP)	2,087	674
• American Dollar (\$USD)	1,392	449
• short term deposits (\$AUD)	6,958	2,247
<b>Cash and cash equivalents</b>	<b>34,729</b>	<b>11,197</b>

AASB 107.48  
AASB 110.19

Following the acquisition of Goodtech some bank deposits of the acquiree were temporarily unavailable for general use by the Group due to legal restrictions. The amount of cash and cash equivalents inaccessible to the Group as at 30 June 2017 amounts to \$500,000 (2016: \$Nil). All restrictions on bank deposits were removed prior to approval of these consolidated financial statements on 28 August 2017.

## 11 Trade and other receivables

Trade and other receivables consist of the following:

	2017 \$'000	2016 \$'000
Trade receivables, gross	31,265	23,889
Allowance for credit losses	(432)	(560)
<b>Trade receivables</b>	<b>30,833</b>	<b>23,329</b>
Receivables due from ABC Ltd	112	112
<b>Financial assets</b>	<b>30,945</b>	<b>23,441</b>
Social security and other taxes	1,012	676
Construction contracts for telecommunication solutions	1,374	974
Prepayments	298	315
<b>Non-financial assets</b>	<b>2,684</b>	<b>2,965</b>
	<b>33,629</b>	<b>25,406</b>

AASB 7.25  
AASB 7.29

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

AASB 101.60

The receivable due from ABC Associates relates to the remaining consideration due on the sale of a former subsidiary in 2015. 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 (6) months, such that the time value of money is not significant.

AASB 7.37(b)

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of \$72,000 (2016: \$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:

	2017 \$'000	2016 \$'000
<b>Reconciliation of allowance credit losses</b>		
Balance 1 July	560	112
Amounts written off (uncollectable)	(200)	(66)
Impairment loss	72	514
Impairment loss reversed	-	-
<b>Balance 30 June</b>	<b>432</b>	<b>560</b>

AASB 7.16

An analysis of unimpaired trade receivables that are past due is given in Note 34.3.

AASB 7.36(d)

The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is \$Nil (2016: \$Nil).

### 11.1 Construction contracts

AASB 111.39(a)

Revenue of \$50,973,000 (2016: \$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 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:

	2017 \$'000	2016 \$'000
AASB111.40(a)	Aggregate amounts of costs incurred and recognised profits and losses for all contracts in progress	
	3,421	3,121
	Less progress billing	
	(2,335)	(2,354)
	<b>1,086</b>	<b>767</b>
	Recognised as:	
AASB 111.42(a)	Due from customers for construction contract work, recognised in trade and other receivables	
	1,374	974
AASB 111.42(b)	Due to customers for construction contract work, recognised in other liabilities	
	288	207
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 23) and amount to \$225,000 (2016: \$220,000).	
AASB 111.40(c)	Retentions on construction contracts included within trade and other receivables amount to \$10,000 (2016: \$Nil). Retentions will be received upon acceptance by the customer of the work performed.	



Example unlisted public financial statements  
For the year ended 30 June 2017

	Notes	Assets at fair value through OCI \$'000	Assets at fair value through profit and loss \$'000	Derivatives used for hedging \$'000	Financial assets at amortised cost \$'000	Total \$'000
AASB 7.8(b)	<b>30 June 2016</b>	Restated	Restated	Restated	Restated	Restated
AASB 7.8(d)	<b>Financial assets</b>					
	Bonds – HTM	14.2	-	-	2,992	2,992
AASB 7.8(a)(ii)	Other investments <sup>(a)</sup>	14.3	888	-	-	888
AASB 7.8(a)(ii)	Other long-term financial assets		888	-	2,992	3,880
AASB 7.8(c)	Other short-term financial assets	14.4	-	649	-	649
AASB 7.8(c)	Derivative financial instruments	14.5	-	212	-	212
	Trade and other receivables <sup>(b)</sup>	17	-	-	23,441	23,441
	Cash and cash equivalents	18	-	-	11,197	11,197
			<b>888</b>	<b>861</b>	<b>-</b>	<b>37,630</b>
						<b>39,379</b>

a Includes an equity investment carried at cost less impairment charges because fair value cannot be determined reliably. See Note 12.3.

b These amounts only represent trade receivables that are financial assets. See Note 11.

	Notes	Derivatives used for hedging* \$'000	Designated at fair value through profit and loss* \$'000	Other liabilities# \$'000	Total \$'000
	<b>30 June 2016</b>	Restated	Restated	Restated	Restated
	<b>Financial liabilities</b>				
AASB 7.8(e)(i)	Non-current borrowings	14.6	-	7,965	17,759
AASB 7.8(e)(i), AASB 7.8(f)	Current borrowings	14.6	-	255	3,630
AASB 7.8(f)	Trade and other payables	23	-	6,550	6,550
AASB 7.7	Derivative financial instruments	14.5	160	-	160
			<b>160</b>	<b>8,220</b>	<b>27,939</b>
					<b>36,319</b>

\* Carried at fair value

# Carried at amortised cost

## 12.2 HTM investments

AASB 7.33 A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 34.

AASB 7.7 The methods used to measure financial assets and liabilities reported at fair value are described in Note 35.1.

HTM investments comprise public traded zero coupon and US straight bonds with fixed interest rates between 5.5% and 6.2%. They mature in 2019 and 2020. The carrying amounts (measured at amortised cost) and fair values of these bonds are as follows:

	2017 \$'000	2016 \$'000
Carrying amount at amortised cost:		
• zero coupon bonds	1,110	1,189
• US straight bonds	1,704	1,803
AASB 7.8(b)	<b>2,814</b>	<b>2,992</b>
Fair value:		
• zero coupon bonds	1,190	1,186
• US straight bonds	1,705	1,809
AASB 7.25	<b>2,895</b>	<b>2,995</b>

AASB 13.97 Fair values of these bonds have been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy. The fair value of the US straight bonds also reflects the US-Dollar spot rate as at the reporting date.

### 12.3 AFS financial assets

The details and carrying amounts of AFS financial assets are as follows:

	2017 \$'000	2016 \$'000
AASB 7.25	421	343
AASB 7.25	97	112
	518	455
	433	433
AASB 7.8(d)	<b>951</b>	<b>888</b>

The equity securities and debentures are denominated in Australian Dollars (\$AUD) and are publicly traded in Australia.

AASB 7.30(a)-(d) The investment in XY Ltd represents a 15% equity interest in an unlisted company, one of the Group's suppliers. XY Ltd has been undertaking a major restructuring process since 2016, 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 2017, 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.

### AASB 7.B5(a)(i) 12.4 Financial assets held for trading

Financial assets held for trading consists of various investments in money market funds (presented as other short-term financial assets) that are held by the Group for short-term trading and certain derivative financial investments (see Note 12.5). All of these money market funds are publicly traded on stock exchanges in Australia.

## 12.5 Derivative financial instruments

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

		2017 \$'000	2016 \$'000
AASB 7.22(b)	US-Dollar forward contracts: cash flow hedge	467	-
	Other forward exchange contracts: held-for-trading	115	212
	<b>Derivative financial assets</b>	<b>582</b>	<b>212</b>
AASB 7.22(b)	US-Dollar forward contracts: cash flow hedge	-	(160)
	<b>Derivative financial liabilities</b>	<b>-</b>	<b>(160)</b>
		<b>582</b>	<b>52</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.

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 forecasted for March to June 2019. All forecast transactions for which hedge accounting has been used are expected to occur.

AASB 7.23(c)

During 2017 a gain of \$367,000 (2016: loss of \$47,000) was recognised in other comprehensive income. The cumulative gain recorded in equity is \$467,000 (2016: cumulative loss of \$160,000).

AASB 7.23(d)  
AASB 7.23(e)

During 2017 a loss of \$260,000 (2016: net gain of \$425,000) was reclassified from equity into profit or loss within revenue.

## 12.6 Borrowings

Borrowings include the following financial liabilities:

	Current		Non-current	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Designated at fair value through profit or loss:</b>				
• US-Dollar loans	250	255	7,700	7,965
<b>Carrying amount at amortised cost</b>	<b>4,565</b>	<b>3,124</b>	<b>-</b>	<b>-</b>
Other bank borrowings:				
• non-convertible bond	-	-	8,300	8,300
• subordinated shareholder loan	-	-	5,000	5,000
• finance lease liabilities (Note 33)	512	506	4,060	4,459
	<b>5,077</b>	<b>3,630</b>	<b>17,360</b>	<b>17,759</b>
<b>Fair value:</b>				
• other bank borrowings	4,565	3,124	-	-
• non-convertible bond	-	-	8,259	8,383
• subordinated shareholder loan	-	-	4,975	5,050
• finance lease liabilities	512	506	4,608	5,114
	<b>5,077</b>	<b>3,630</b>	<b>17,842</b>	<b>18,547</b>

AASB 7.25

Other than the US-Dollar (\$USD) loans, all borrowings are denominated in Australian Dollars (\$AUD).

### US-Dollar loans at fair value through profit or loss (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:

	2017 \$'000	2016 \$'000
<b>Carrying amount 1 July</b>	<b>8,220</b>	<b>8,380</b>
Repayments	(300)	(230)
Change in fair values:		
AASB 7.10(a) Changes in credit risk	-	-
Other market factors	30	70
AASB 7.25 <b>Carrying amount 30 June</b>	<b>7,950</b>	<b>8,220</b>

AASB 7.10(a)  
AASB 7.11(a) The cumulative changes since the designation of these borrowings at FVTPL attributable to changes in credit risk are \$Nil (2016: \$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 the appropriate benchmark interest 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 (2016: \$8,055,000), equivalent to a difference between the carrying amount and the amount repayable of \$195,000 (2016: \$165,000).

The fair value of the loans is measured as described in Note 35.1.

### Borrowings at amortised cost

AASB 116.74(a)  
AASB 7.29  
AASB 7.31  
AASB 13.93(d)  
AASB 13.97 Other bank borrowings are secured by land and buildings owned by the Group (see Note 15). Current interest rates are variable and average 4.0% (2016: 4.1%). The carrying amount of the other bank borrowings is considered to be a reasonable approximation of the fair value.

The Group's non-convertible bond with a fixed interest rate of 5.0% matures on 20 November 2019 and is therefore classified as non-current. The estimated fair value of the non-convertible bond is categorised within Level 2 of the fair value hierarchy. The fair value estimate has been determined from the perspective of a market participant that holds these non-convertible bonds as assets at 30 June 2017. The \$8,259 is estimated using a present value technique, by discounting the contractual cash flows using implied yields of non-convertible bonds of an entity with a similar standing and marketability.

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

AASB 124.17  
AASB 13.93(d)  
AASB 13.97 The subordinated shareholder loan was provided by Grant Thornton CLEARR's main shareholder, LOM Investment Trust in 2014. It is perpetual and carries a fixed coupon of 4.0%. It is repayable only upon liquidation of Grant Thornton CLEARR. The estimated fair value of the subordinated shareholder loan is categorised within Level 3 of the fair value hierarchy.

The fair value estimate has been determined using a present value technique. The \$4,975 is estimated by discounting the contractual cash flows at 4.1%. The discount rate has been determined using the interest rate that the Entity would pay to unrelated party, at the reporting date, adjusted to reflect the subordination feature.

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

AASB 7.29

## 12.7 Other financial instruments

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

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

## 13 Inventories

Inventories consist of the following:

	2017 \$'000	2016 \$'000
Raw materials and consumables	7,737	7,907
Merchandise	10,651	9,319
	<b>18,298</b>	<b>17,226</b>

AASB 101.77  
AASB 101.78(c)  
AASB102.36(b)

AASB 102.36(d)  
AASB 102.36(e)

In 2017, a total of \$35,265,000 of inventories was included in profit and loss as an expense (2016: \$32,907,000). This includes an amount of \$361,000 resulting from write down of inventories (2016: \$389,000).

## 14 Investments accounted for using the equity method

	2017 \$'000	2016 \$'000
Investment in joint venture	483	222
Investment in associate	377	245
	<b>860</b>	<b>467</b>

### 14.1 Investment in joint venture

AASB 12.21(a)

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

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			30 June 2017	30 June 2016
Halftime Ltd	United Kingdom	Online sales of hardware and software products	50%	50%

AASB 12.21(b)(i)

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

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

Summarised financial information for Halftime is set out below:

	2017 \$'000	2016 \$'000
Current assets <sup>(a)</sup>	528	380
Non-current assets	838	500
<b>Total assets</b>	<b>1,366</b>	<b>880</b>
Current liabilities <sup>(b)</sup>	(160)	(138)
Non-current liabilities <sup>(c)</sup>	(240)	(298)
<b>Total liabilities</b>	<b>(400)</b>	<b>(436)</b>

	2017 \$'000	2016 \$'000
a Includes cash and cash equivalents	60	80
b Includes financial liabilities (excluding trade and other payables and provisions)	(80)	-
c Includes financial liabilities (excluding trade and other payables and provisions)	(100)	-
Revenue	1,200	730
Profit for the year	522	258
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>522</b>	<b>258</b>
Depreciation and amortisation	30	20
Interest income	1	-
Interest expenses	4	-
Tax expense	68	58

AASB 12.B14

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

	2017 \$'000	2016 \$'000
Total net assets of Halftime	966	444
Proportion of ownership interests held by the Group	50%	50%
<b>Carrying amount of the investment in Halftime</b>	<b>483</b>	<b>222</b>

AASB 12.B12(a)

No dividends were received from Halftime during the years 2017 and 2016.

AASB 12.21(b)(iii)

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

## 14.2 Investment in associates

AASB 12.21(c)  
AASB 12.B16

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

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

	2017 \$'000	2016 \$'000
Profit from continuing operations	130	12
Other comprehensive income	2	-
Total comprehensive income	132	12
<b>Aggregate carrying amount of the Group's interests in associates</b>	<b>377</b>	<b>245</b>

## 15 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)	<b>Balance 1 July 2016</b>	<b>7,697</b>	<b>19,362</b>	<b>5,579</b>	<b>2,319</b>	<b>34,957</b>
AASB 116.73(e)(i)	Additions	-	76	-	-	76
AASB 116.73(e)(iii)	Acquisition through business combination	730	1,221	2,306	365	4,622
AASB 116.73(e)(ii)	Disposals	-	(401)	-	-	(401)
AASB 116.73(e)(iv)	Revaluation increase	303	-	-	-	303
AASB 116.73(e)(viii)	Net exchange differences	(21)	(81)	(79)	(54)	(235)
AASB 116.73(d)	<b>Balance 30 June 2017</b>	<b>8,709</b>	<b>20,177</b>	<b>7,806</b>	<b>2,630</b>	<b>39,322</b>
<b>Depreciation and impairment</b>						
AASB 116.73(d)	<b>Balance 1 July 2016</b>	-	<b>(12,159)</b>	<b>(1,503)</b>	<b>(898)</b>	<b>(14,560)</b>
AASB 116.73(e)(ii)	Disposals	-	315	-	-	315
AASB 116.73(e)(viii)	Net exchange differences	-	(54)	(53)	(36)	(143)
AASB 116.73(e)(vii)	Depreciation	-	(1,315)	(890)	(530)	(2,735)
AASB 116.73(d)	<b>Balance 30 June 2017</b>	-	<b>(13,213)</b>	<b>(2,446)</b>	<b>(1,464)</b>	<b>(17,123)</b>
	<b>Carrying amount 30 June 2017</b>	<b>8,709</b>	<b>6,964</b>	<b>5,360</b>	<b>1,166</b>	<b>22,199</b>

	Land \$'000	Buildings \$'000	IT equipment \$'000	Other equipment \$'000	Total \$'000	
<b>Gross carrying amount</b>						
AASB 116.73(d)	<b>Balance 1 July 2015</b>	<b>7,697</b>	<b>23,067</b>	<b>4,316</b>	<b>966</b>	<b>36,046</b>
AASB 116.73(e)(i)	Additions	-	1,001	1,390	890	3,281
AASB 116.73(e)(iii)	Acquisition through business combination	-	-	2,310	838	3,148
AASB 116.73(e)(ii)	Held for sale or included in disposal group	-	(4,598)	(2,422)	(348)	(7,368)
AASB 116.73(e)(viii)	Net exchange differences	-	(108)	(15)	(12)	(135)
AASB 116.73(d)	<b>Balance 30 June 2016</b>	<b>7,697</b>	<b>19,362</b>	<b>5,579</b>	<b>2,334</b>	<b>34,972</b>
<b>Depreciation and impairment</b>						
AASB 116.73(d)	<b>Balance 1 July 2015</b>	-	<b>(12,944)</b>	<b>(1,805)</b>	<b>(551)</b>	<b>(15,300)</b>
AASB 116.73(e)(viii)	Net exchange differences	-	(72)	(10)	(8)	(90)
AASB 116.73(e)(ii)	Held for sale or included in disposal group	-	3,200	990	200	4,390
AASB 116.73(e)(vii)	Depreciation	-	(2,343)	(678)	(554)	(3,575)
AASB 116.73(d)	<b>Balance 30 June 2016</b>	-	<b>(12,159)</b>	<b>(1,503)</b>	<b>(913)</b>	<b>(14,575)</b>
	<b>Carrying amount 30 June 2016</b>	<b>7,697</b>	<b>7,203</b>	<b>4,076</b>	<b>1,421</b>	<b>20,397</b>

AASB 136.126(a)  
AASB 136.126(b)

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

AASB 116.74(a)

Land and buildings have been pledged as security for the Group's other bank borrowings (see Note 12.6).

AASB 116.74(c)

The Group has a contractual commitment to acquire IT equipment of \$1,304,000 payable in 2017. There were no other material contractual commitments to acquire property, plant and equipment at 30 June 2017 (2016: None).

AASB 116.77(e)  
AASB 116.77(f)

If the cost model had been used, the carrying amounts of the revalued land, including the fair value adjustment upon acquisition of Goodtech, would be \$7,421,000 (2016: \$6,712,000). The revalued amounts include a revaluation surplus of \$1,288,000 before tax (2016: \$985,000).

## 16 Investment property

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

AASB 140.75(d)

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

	\$'000
AASB 140.76	<b>Carrying amount 1 July 2016</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 2017</b>
	<b>12,277</b>
	Additions:
	• through business combinations
	75
	Net exchange differences
	22
	Net gain / (loss) from fair value adjustments
	288
	<b>Carrying amount 30 June 2017</b>
	<b>12,662</b>

AASB 140.75(g)

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

AASB 140.75(f)  
AASB 117.56(b)

Investment properties are leased out on operating leases. Rental income amounts to \$1,066,000 (2016: \$1,028,000) included within revenue. Direct operating expenses of \$213,000 (2016: \$206,000) were reported within other expenses, of which \$18,000 (2016: \$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 eight (8) years from the commencement of the lease. Future minimum lease rentals are as follows:

	Minimum lease payments due				
	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000	Total \$'000	
AASB 117.56(a)	30 June 2017	1,075	5,375	2,090	8,540
	30 June 2016	1,030	5,150	1,978	8,158

## 17 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 2016 \$'000	Recognised in other comprehensive income \$'000	Recognised in business combination \$'000	Recognised in profit and loss \$'000	30 June 2017 \$'000
<b>Non-current assets</b>					
Other intangible assets	847	(63)	444	30	1,258
Property, plant and equipment	2,130	(22)	188	406	2,702
Other long term financial assets	(95)	-	-	19	(76)
Investment property	1,914	-	-	93	2,007
<b>Current assets</b>					
Trade and other receivables	(168)	-	-	38	(130)
<b>Non-current liabilities</b>					
Pension and other employee obligations	-	-	-	-	-
<b>Current liabilities</b>					
Provisions	(1,003)	-	-	639	(364)
Pension and other employee obligations	(4,451)	1,149	-	(188)	(3,490)
Unused tax losses	(75)	-	-	75	-
	<b>(901)</b>	<b>1,064</b>	<b>632</b>	<b>1,112</b>	<b>1,907</b>

AASB 112.81(g)

<b>Deferred tax liabilities / (assets)</b>	<b>1 July 2015 \$'000</b>	<b>Recognised in other comprehensive income \$'000</b>	<b>Included in disposal group \$'000</b>	<b>Recognised in business combination \$'000</b>	<b>Recognised in profit and loss \$'000</b>	<b>30 June 2016 \$'000</b>
<b>Non-current assets</b>						
Other intangible assets	409	(27)	-	210	255	847
Property, plant and equipment	1,528	(68)	-	225	445	2,130
Other long term financial assets	-	-	-	-	(95)	(95)
Investment property	1,861	-	-	-	53	1,914
<b>Current assets</b>						
Trade and other receivables	(34)	-	-	-	(134)	(168)
<b>Non-current liabilities</b>						
Pension and other employee obligations	-	-	-	-	-	-
<b>Current liabilities</b>						
Provisions	(1,320)	-	74	-	243	(1,003)
Pension and other employee obligations	(2,996)	(1,062)	-	-	(393)	(4,451)
Unused tax losses	(300)	-	-	-	225	(75)
	<b>(852)</b>	<b>(1,157)</b>	<b>74</b>	<b>435</b>	<b>599</b>	<b>(901)</b>

The amounts recognised in other comprehensive income relate to revaluation of land and exchange differences on translating foreign operations. See Note 24.2 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 (2016: \$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 (2016: \$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.

## 18 Goodwill

AASB 3.B67(d)

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

	2017 \$'000	2016 \$'000
<b>Gross carrying amount</b>		
AASB 3.B67(d)		
AASB 3.B67(d)(i)	<b>Balance 1 July</b>	<b>3,727</b>
AASB 3.B67(d)(ii)	Acquired through business combination	2,438
AASB 3.B67(d)(vi)	Net exchange difference	(135)
AASB 3.B67(d)(viii)	<b>Balance 30 June</b>	<b>6,030</b>
<b>Accumulated impairment</b>		
AASB 3.B67(d)(i)	<b>Balance 1 July</b>	<b>(190)</b>
AASB 3.B67(d)(v)	Impairment loss recognised	(799)
AASB 3.B67(d)(vi)	Net exchange difference	-
AASB 3.B67(d)(viii)	<b>Balance 30 June</b>	<b>(989)</b>
	<b>Carrying amount at 30 June</b>	<b>5,041</b>
		<b>3,537</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.

	2017 \$'000	2016 \$'000
AASB 136.134(a)	Retail	4,796
	Consulting	245
	<b>Goodwill allocation at 30 June</b>	<b>5,041</b>
		<b>3,537</b>

AASB 136.134(c)  
AASB 136.134(d)

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

	Growth rates		Discount rates	
	2017	2016	2017	2016
AASB 136.134(d)(iv)				
	Retail	3.0%	3.0%	9.3%
	Consulting	0.1%	0.5%	10.9%
				10.1%

### 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

AASB 136.134(d)(i)  
AASB136.134(d)(ii)

### 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.

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

### Consulting

The forecast was adjusted in 2016 for the decline in consulting services related to conventional telecommunication solutions. The market shifted considerably towards internet and intranet based solutions during 2016 and continued in 2017. As a result, management expects lower growth and moderately declining profit margins for this segment.

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

Impairment testing, taking into account these latest developments, resulted in the further reduction of goodwill in 2017 to its recoverable amount. See Note 19 for the related impairment of other intangible assets.

The related goodwill impairment loss of \$799,000 in 2017 (2016: \$190,000) was included within impairment of non-financial assets.

AASB 136.134(f)  
AASB 101.125

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

## 19 Other intangible assets

Detail 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>				
	<b>13,608</b>	<b>14,794</b>	<b>760</b>	<b>374</b>	<b>29,536</b>
AASB 138.118(e)(i)	440	-	-	-	440
	-	3,306	-	-	3,306
	3,653	-	215	1,387	5,255
AASB 138.118(e)(ii)	(1,159)	-	-	-	(1,159)
AASB 138.118(e)(vii)	(73)	(54)	-	-	(127)
	<b>16,469</b>	<b>18,046</b>	<b>975</b>	<b>1,761</b>	<b>37,251</b>
	<b>Amortisation and impairment</b>				
	<b>(6,063)</b>	<b>(9,381)</b>	<b>(162)</b>	<b>(89)</b>	<b>(15,695)</b>
AASB 138.118(e)(vi)	(1,978)	(1,315)	(125)	(110)	(3,528)
	-	(870)	-	-	(870)
	350	-	-	-	350
	(48)	(36)	-	-	(84)
	<b>(7,739)</b>	<b>(11,602)</b>	<b>(287)</b>	<b>(199)</b>	<b>(19,827)</b>
	<b>8,730</b>	<b>6,444</b>	<b>688</b>	<b>1,562</b>	<b>17,424</b>

	Acquired software licenses \$'000	Internally developed software \$'000	Brand names \$'000	Customer lists \$'000	Total \$'000
<b>Gross carrying amount</b>					
<b>Balance at 1 July 2015</b>	<b>8,672</b>	<b>14,600</b>	-	-	<b>23,272</b>
Addition, separately acquired	3,097	-	-	-	3,097
Addition, internally developed	-	216	-	-	216
Acquisition through business combination	1,859	-	768	378	3,005
Net exchange differences	(20)	(22)	(8)	(4)	(54)
<b>Balance at 30 June 2016</b>	<b>13,608</b>	<b>14,794</b>	<b>760</b>	<b>374</b>	<b>29,536</b>
<b>Amortisation and impairment</b>					
<b>Balance at 1 July 2015</b>	<b>(4,442)</b>	<b>(8,166)</b>	-	-	<b>(12,608)</b>
Amortisation	(1,607)	(1,201)	(156)	(87)	(3,051)
Net exchange differences	(14)	(14)	(6)	(2)	(36)
<b>Balance at 30 June 2016</b>	<b>(6,063)</b>	<b>(9,381)</b>	<b>(162)</b>	<b>(89)</b>	<b>(15,695)</b>
<b>Carrying amount 30 June 2016</b>	<b>7,545</b>	<b>5,413</b>	<b>598</b>	<b>285</b>	<b>13,841</b>

AASB 138.126

Additions to internally developed software include capitalised borrowing costs of \$80,000 (2016: \$78,000). In addition, research and development costs of \$1,690,000 (2016: \$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 (2016: \$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 (2) to three (3) years (see Note 18 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 (2016: \$970,000) would be reduced to \$Nil.

AASB 138.122(e)

During the year, the Group entered into an agreement to acquire enterprise resource planning software, to support the planning and administration of the Group's operations. Minimum contractual commitments resulting from this agreement are \$97,000 payable during 2017. No other material contractual commitments at 30 June 2017 (2016: None).

## 20 Trade and other payables

Trade and other payables recognised consist of the following:

	2017 \$'000	2016 \$'000
<b>Current</b>		
Trade payables	7,843	6,472
Other payables	654	78
<b>Total trade and other payables</b>	<b>8,497</b>	<b>6,550</b>

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

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

## 21 Provisions

AASB 101.69

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

	Restructuring \$'000	Other \$'000	Total \$'000	
AASB 137.84(a)	<b>Carrying amount 1 July 2016</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 2017</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 31.1). Provisions classified as held for sale are included within amount utilised (see Note 9).

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

The provision for restructuring relates to the Phoenix Program, which was initiated in early 2015 and carried out predominantly in 2016 and 2017. The Group's management expects to settle the remaining termination remuneration for former employees and legal fees relating to the restructuring program in 2018. 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 2017 was reduced due to the outcome of several lawsuits brought against the Group during 2017 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 (3) and eighteen (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 twelve (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 2017 related to claims initiated in 2016 that were settled during 2017. 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 2017. 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.

## 22 Employee remuneration

### 22.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2017 \$'000	2016 \$'000	
AASB 119.142	Wages, salaries	96,483	91,168
	Social security costs	11,229	10,608
AASB 2.51(a)	Share-based payments	298	466
	Pensions – defined benefit plans	1,308	3,030
AASB 119.46	Pensions – defined contribution plans	4,491	4,243
	<b>Employee benefits expense</b>	<b>113,809</b>	<b>109,515</b>

## 22.2 Share-based employee remuneration

As at 30 June 2017 the Group maintained two (2) share-based payment schemes for employee remuneration, the Star Program and the Stay Program. Both programs will be settled in equity.

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

AASB 2.45(a) The Stay Program is part of the remuneration package of the Group's research and development and sales personnel. Options under this program will vest if the participant remains employed for the agreed vesting period. The maximum term of the options granted under the Stay Program ends on 4 July 2019. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 15-20% of the market price determined at grant date.

AASB 2.45 (b) Share options and weighted average exercise prices are as follows for the reporting periods presented:

	Star Program		Stay Program	
	Number of shares	Weighted average exercise price (\$)	Number of shares	Weighted average exercise price (\$)
<b>Outstanding at 1 July 2015</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 2016</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 2017</b>	<b>129,175</b>	<b>7.45</b>	<b>90,749</b>	<b>5.81</b>
<b>Exercisable at 30 June 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Exercisable at 30 June 2017</b>	<b>29,175</b>	<b>6.24</b>	<b>-</b>	<b>-</b>

AASB 2.45(c) The weighted average share price at the date of exercise was \$11.19 (no exercises in 2016).

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 Program, being a market condition, has been incorporated into the measurement by means of actuarial modelling. The following principal assumptions were used in the valuation:

	Star Program		Stay Program
	1 July 2013	1 August 2016	5 July 2012
Grant date	1 July 2013	1 August 2016	5 July 2012
Vesting period ends	30 June 2016	31 July 2019	1 July 2017
Share price at date of grant	8.00	10.01	7.00
Volatility	50.00%	50.00%	50.00%
Option life	5 years	5 years	7 years
Dividend yield	1.00%	1.00%	1.00%
Risk free investment rate	4.00%	4.00%	4.00%
Fair value at grant date	4.00	6.70	5.30
Exercise price at date of grant	6.24	7.81	5.81

	Star Program		Stay Program
	1 July 2016	1 August 2019	1 August 2017
	30 June 2018	30 June 2021	4 July 2019
AASB 2.45(d)	1 year	4 years	2 years

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

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

AASB 2.51

In total, \$298,000 (2016: \$466,000) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to share option reserve.

### 22.3 Employee benefits

The liabilities recognised for employee benefits consist of the following amounts:<sup>4</sup>

	2017 \$'000	2016 \$'000
Non-current:		
• defined benefit plans	10,386	13,642
Current:		
• defined benefit plans	1,246	1,193
• other short term employee obligations	221	303
<b>Current pension and other employee obligations</b>	<b>1,467</b>	<b>1,496</b>

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 2017.

#### Defined benefit plan

AASB 119.139(a)

The Group has set up a partly funded pension scheme for mid to senior management, mainly in Australia, the UK and the US. The scheme is available to certain senior workers after completing five (5) years' service.

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

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

AASB 119.139(a)

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

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

<sup>4</sup> In the statement of financial position, the current and non-current portion of the defined benefit obligation is presented separately to comply with AASB 101.60. However, paragraph 118 of AASB 119 *Employee Benefits* does not specify whether this disaggregation is needed. Therefore, an entity is also allowed to present the obligation as non-current in its entirety.

#### Interest rate risk

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

#### Investment risk

The plan assets at 30 June 2017 are predominantly real estate, equity and debt instruments. The fair value of the plan assets is exposed to the real estate market (in Australia and the US). The equity instruments are significantly weighted towards the finance and pharmaceuticals sectors in Australia.

#### Longevity risk

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

#### Inflation risk

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

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

	2017 \$'000	2016 \$'000
AASB 119.140		
Defined benefit obligations	53,874	47,410
Fair value of planned assets	(42,242)	(32,575)
	<b>11,632</b>	<b>14,835</b>
Classified as:		
• current liability	1,246	1,193
• non-current liability	10,386	13,642

#### Defined Benefit Obligation (DBO)

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

	2017 \$'000	2016 \$'000
AASB 119.140(a)(ii)		
Defined benefit obligation 1 July	47,410	38,889
AASB 119.141(a)		
Current service cost	1,308	1,530
AASB 119.141(b)		
Interest cost	2,488	2,267
AASB 119.141(f)		
Contributions by plan participants	658	650
AASB 119.141(c)(ii)		
Re-measurement – actuarial losses from changes in demographic assumptions	916	1,091
AASB 119.141(c)(iii)		
Re-measurement – actuarial losses from changes in financial assumptions	2,345	2,670
AASB 119.141(g)		
Benefits paid	(1,251)	(1,187)
AASB 119.141(d)		
Past service costs	-	1,500
AASB 119.141(a)(ii)		
<b>Defined benefit obligation 30 June</b>	<b>53,874</b>	<b>47,410</b>

	2017 \$'000	2016 \$'000
AASB 119.138(e) Thereof:		
• unfunded	-	-
• partly or wholly funded	53,874	47,410

#### Plan assets

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

	2017 \$'000	2016 \$'000
AASB 119.140(a)(i) <b>Fair value of plan assets 1 July</b>	<b>32,575</b>	<b>29,901</b>
AASB 119.141(b) Interest income	1,983	1,718
AASB 119.141(c)(i) Return on plan assets (excluding amounts included in net interest)	7,091	220
AASB 119.141(f) Contributions by the Group	1,186	1,273
AASB 119.141(f) Contributions by beneficiaries	658	650
AASB 119.141(f) Benefits paid	(1,251)	(1,187)
AASB 119.140(a)(i) <b>Fair value of plan assets 30 June</b>	<b>42,242</b>	<b>32,575</b>

The actual return on plan assets was \$9,074 in 2017 (2016: \$1,938).

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

	Total plan assets	
	2017 \$'000	2016 \$'000
AASB 119.142(a) Cash and cash equivalents	3,442	2,075
AASB 119.142(b) Equity instruments:		
• financial institutions	9,800	7,600
• pharmaceuticals	8,100	4,300
• oil and gas industry	1,600	1,700
• manufacturing industry	1,500	1,200
<b>Sub-total</b>	<b>21,000</b>	<b>14,800</b>
AASB 119.142(c) Debt instruments:		
• Australian government bonds	4,800	5,800
• corporate bonds (rated AA and above)	3,100	5,600
<b>Sub-total</b>	<b>7,900</b>	<b>11,400</b>
AASB 119.142(d) Real estate:		
• in Australia	6,700	2,500
• in the US	3,200	1,800
<b>Sub-total</b>	<b>9,900</b>	<b>4,300</b>
<b>Total</b>	<b>42,242</b>	<b>32,575</b>

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

AASB 119.138(a)

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

	Australia 2017 \$'000	UK 2017 \$'000	US 2017 \$'000	Others 2017 \$'000	Total 2017 \$'000
Defined benefit obligation	24,482	17,321	11,529	542	53,874
Fair value of plan assets	(18,586)	(13,057)	(10,427)	(172)	(42,242)
	<b>5,896</b>	<b>4,264</b>	<b>1,102</b>	<b>370</b>	<b>11,632</b>

  

	Australia 2016 \$'000	UK 2016 \$'000	US 2016 \$'000	Others 2016 \$'000	Total 2016 \$'000
Defined benefit obligation	21,594	15,063	10,256	497	47,410
Fair value of plan assets	(14,123)	(9,748)	(8,553)	(151)	(32,575)
	<b>7,471</b>	<b>5,315</b>	<b>1,703</b>	<b>346</b>	<b>14,835</b>

AASB 119.144

The significant actuarial assumptions used for the valuation are as follows:<sup>5</sup>

	2017	2016
Discount rate at 30 June	5.3%	5.5%
Salary growth rate	3.0%	3.2%
Average life expectancies:		
• male, 45 years of age at reporting date	84.5	84.5
• female, 45 years of age at reporting date	87.5	87.5
• male, 65 years of age at reporting date	82.5	82.5
• female, 65 years of age at reporting date	84.5	84.5

AASB 101.125(a)  
AASB 101.125(b)

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

AASB 119.67

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

AASB 119.120

#### Defined benefit plan expenses

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

	2017 \$'000	2016 \$'000
Current service cost	1,308	1,530
Past service cost	-	1,500
Net interest expense	505	549
<b>Total expenses recognised in profit or loss</b>	<b>1,813</b>	<b>3,579</b>

AASB 119.134

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

<sup>5</sup> For the purposes of these Example Financial Statements, it is assumed that the significant actuarial assumptions for the different geographical locations are the same. In practice, it is likely that there will be differences in the significant actuarial assumptions in different geographical locations, which will require their disclosure.

AASB 119.120

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

	2017 \$'000	2016 \$'000
AASB 119.127(a)	(916)	(1,091)
AASB 119.127(a)	(2,345)	(2,670)
AASB 119.127(b)	7,091	220
<b>Total income / (expenses) recognised in other comprehensive income</b>	<b>3,830</b>	<b>(3,541)</b>

AASB 119.122

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

*Other defined benefit plan information*

AASB 119.147(a)

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

AASB 119.147(b)

Based on historical data, the Group expects contributions of \$2,500,000 to be paid for 2017.

AASB 119.147(c)

The weighted average duration of the defined benefit obligation at 30 June 2017 is 23.3 years (2016: 23.2 years).

AASB 119.144  
AASB 119.173(b)

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 30 June 2017:

AASB 119.145(a)

**Changes in the significant actuarial assumptions**

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

AASB 119.145(b)

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

## 23 Other liabilities

Other liabilities consist of the following:

	2017 \$'000	2016 \$'000
Due to customers for construction contract work	288	207
Advances received for construction contract work	225	220
Deferred service income	2,123	2,291
Other	22	657
Deferred gain	100	100
<b>Other liabilities – current</b>	<b>2,758</b>	<b>3,475</b>
Contingent consideration for the acquisition of Goodtech	620	-
Deferred gain	1,400	1,500
<b>Other liabilities – non-current</b>	<b>2,020</b>	<b>1,500</b>

The deferred gain relates to a sale and leaseback of an office and production building in 2008. The excess of proceeds received over fair value was deferred and is being amortised over the lease term of fifteen (15) years. In 2017, deferred income of \$100,000 (2016: \$100,000) was recognised in profit or loss relating to this transaction. The subsequent leasing agreement is treated as an operating lease (see Note 33.2). The non-current part of the deferred gain will be amortised between 2018 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 2017 of thirty-two (32) months (2016: 38 months) and constant service activity over the remaining term, the Group expects to amortise \$796,000 of deferred service income during 2017 (2016: \$723,000), and \$1,327,000 after that time (2016: \$1,568,000).

The amounts recognised in respect of construction contracts will generally be utilised within the next reporting period (see Note 11.1).

## 24 Equity

### 24.1 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.

	2017 Shares	2016 Shares	2017 \$'000	2016 \$'000
Shares issued and fully paid:				
• beginning of the year	12,000,000	12,000,000	15,050	15,050
• issued under share-based payments	270,000	-	1,685	-
• share issue	1,500,000	-	16,680	-
<b>Total contributed equity at 30 June</b>	<b>13,770,000</b>	<b>12,000,000</b>	<b>33,415</b>	<b>15,050</b>

AASB 101.79(a)(iv)

AASB 101.79(a)(i)

Additional shares were issued during 2017 relating to share-based payments (see Note 22.2 for details on the Group's share-based employee remuneration schemes).

The Group issued 1,500,000 shares on 31 March 2017, 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.

The authorised shares that have not yet been issued have been authorised solely for use in the Group's share-based remuneration programs (see Note 22.2).

## 24.2 Other components of equity

The details of other components of equity are as follows:

	Foreign currency translation reserve \$'000	Revaluation reserve \$'000	AFS financial assets reserve \$'000	Cash flow hedges reserve \$'000	Actuarial adjustments on defined benefit plans <sup>6</sup> \$'000	Total \$'000
AASB 101.106(d)(i)						
AASB 101.106A	<b>Balance at 1 July 2015</b>	<b>(113)</b>	<b>689</b>	<b>-</b>	<b>312</b>	<b>1,617</b>
	Other comprehensive income for the year: (all attributable to the parent)					
AASB 119.120(c)	• re-measurement of net defined benefit liability	-	-	-	(3,541)	(3,541)
	Cash flow hedges:					
AASB 7.23(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)	<b>Before tax</b>	<b>(341)</b>	<b>-</b>	<b>35</b>	<b>(472)</b>	<b>(3,541)</b>
AASB 101.90	Tax benefit	95	-	-	1,062	95
	<b>Net of tax</b>	<b>(246)</b>	<b>-</b>	<b>35</b>	<b>(472)</b>	<b>(3,162)</b>
	<b>Balance at 30 June 2016</b>	<b>(359)</b>	<b>689</b>	<b>35</b>	<b>(160)</b>	<b>(862)</b>

<sup>6</sup> The revised version of AASB 119 *Employee Benefits* does not mandate where to present re-measurements in equity. Accordingly, while it is preferable to recognise re-measurements directly in retained earnings, we believe it is also acceptable to recognise such re-measurements in a separate component of equity as illustrated in this set of Example Financial Statements.

Example unlisted public financial statements  
For the year ended 30 June 2017

	Foreign currency translation reserve \$'000	Revaluation reserve \$'000	AFS financial assets reserve \$'000	Cash flow hedges reserve \$'000	Actuarial adjustments on defined benefit plans <sup>7</sup> \$'000	Total \$'000
AASB 101.106(d)(i)						
	<b>(359)</b>	<b>689</b>	<b>35</b>	<b>(160)</b>	<b>(862)</b>	<b>(657)</b>
AASB 101.106A	Other comprehensive income for the year: (all attributable to the parent)					
					3,830	3,830
AASB 119.120(c)	Cash flow hedges:					
				367	-	367
AASB 7.23(c)				260	-	260
AASB 7.23(d)	AFS financial assets:					
AASB 7.20(a)(ii)			113	-	-	113
			(50)	-	-	(50)
		303	-	-	-	303
AASB 116.77(f)	(664)	-	-	-	-	(664)
AASB 121.52(b)				5	-	5
AASB 101.82(h)				(3)	-	(3)
AASB 101.82(h)	<b>(664)</b>	<b>303</b>	<b>63</b>	<b>629</b>	<b>3,830</b>	<b>4,161</b>
AASB 101.91(b)	176	(91)	-	-	(1,149)	(1,064)
AASB 101.90	<b>(488)</b>	<b>212</b>	<b>63</b>	<b>629</b>	<b>2,681</b>	<b>3,097</b>
	<b>(847)</b>	<b>901</b>	<b>98</b>	<b>469</b>	<b>1,819</b>	<b>2,440</b>

## 25 Dividends

### Dividends paid and proposed

	2017 \$'000	2016 \$'000
AASB 101.107		
	Dividends declared during the year:	
	3,000	-
	<b>3,000</b>	<b>-</b>

<sup>7</sup> The revised version of AASB 119 *Employee Benefits* does not mandate where to present re-measurements in equity. Accordingly, while it is preferable to recognise re-measurements directly in retained earnings, we believe it is also acceptable to recognise such re-measurements in a separate component of equity as illustrated in this set of Example Financial Statements.

The tax rates applicable to the franking credits attached to the interim dividend and to be attached to the final dividend is 30% (2016: 30%).

AASB 101.137(a)  
AASB 112.81(i)

Also during 2017, 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 2017 consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the level of Grant Thornton CLEARR.

## 25.1 Franking credits

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

AASB 1054.13

	2017 \$'000	Parent 2016 \$'000
The amount of the franking credits available for subsequent reporting periods are:		
• balance at the end of the reporting period	2,450	3,523
• franking credits that will arise from the payment of the amount of provision for income tax	408	294
• franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	-	-
• franking credits that will arise from the receipt of dividends recognised as receivables at the end of reporting period	-	-
	<b>2,858</b>	<b>3,817</b>

## 26 Reconciliation of cash flows from operating activities

Details of the reconciliation of cash flows from operating activities are listed in the following table:

AASB 1054.16

	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>		
Profit for the period	15,473	13,246
Adjustments for:		
• depreciation, amortisation and impairment	7,942	6,826
• FV gains on financial assets / derivatives	(219)	373
• defined benefits plan adjustment	465	707
• changes in fair value of investment property	(310)	(175)
• share of profit of equity accounted investments	(60)	(12)
• bad debt expense	72	864
• foreign exchange differences	(937)	(1,164)
• acquisition costs included in investing	223	76
• return on plan assets	(2,445)	(2,417)
• net interest and dividends received included in investing and financing	221	439
• 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	(496)	547
• change in trade and other payables	(2,841)	(2,856)
• change in other employee obligations	(82)	23
• change in deferred tax	1,215	971
• change in provisions	(40)	(2,825)
<b>Net cash from operating activities</b>	<b>25,967</b>	<b>20,954</b>

AASB 107.43 In 2017, the Group acquired Goodtech (see Note 31.1). 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 (2016: \$Nil) are non-cash transactions excluded from the statement of cash flows.

## 27 Auditor remuneration

Auditor remuneration details are as follows:

CA 300(11Ba)/(11Ca)	2017 \$'000	2016 \$'000
AASB 1054.10a	<b>Audit and review of financial statements</b>	
	Auditors of Grant Thornton CLEARR – Grant Thornton Australia	220,000
AASB 1054.10a	Overseas Grant Thornton network firms	95,000
	<b>Remuneration from audit and review of financial statements</b>	<b>315,000</b>
AASB 1054.10b	<b>Other services</b>	
	Auditors of Grant Thornton CLEARR – Grant Thornton Australia:	
AASB 1054.11	• taxation compliance	25,700
	Overseas Grant Thornton network firms:	
AASB 1054.11	• due diligence services	73,590
	<b>Total other service remuneration</b>	<b>99,290</b>
	<b>Total auditor's remuneration</b>	<b>414,290</b>

## 28 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 12.6 for information on terms and conditions), on which interest of \$200,000 (2016: \$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.

### 28.1 Transactions with associates

AASB 124.18(d)  
AASB 124.17 In order to meet peak demands by its customers, the Group has some of its consulting services carried out by professionals of its associate, Equipe Consultants S.A. During 2017, Equipe Consultants S.A. provided services valued at \$568,000 (2016: \$590,000). The outstanding balance of \$20,000 (2016: \$22,000) due to Equipe Consultants S.A. is included in trade payables.

### 28.2 Transactions with joint ventures

AASB 124.18(e)  
AASB 124.17(a) During 2017, Halftime Ltd provided services valued at \$10,000 (2016: \$3,000). There is no outstanding balance as at 30 June 2017 (2016: \$Nil).

### 28.3 Transactions with key management personnel

AASB 124.17(b)  
AASB 124.18(f)

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

	2017 \$'000	2016 \$'000
AASB 124.17(a)	Short term employee benefits:	
	• salaries including bonuses	2,320,000
	• social security costs	70,000
	• company car allowance	220,000
	<b>Total short term employee benefits</b>	<b>2,610,000</b>
AASB 124.17(c)	Long service leave	100,000
	<b>Total other long-term benefits</b>	<b>100,000</b>
AASB 124.17(b)	Post-employment benefits:	
	• defined benefit pension plans	312,000
	• defined contribution pension plans	25,000
	<b>Total post-employment benefits</b>	<b>337,000</b>
AASB 124.17(d)	Termination benefits	100,000
AASB 124.17(e)	Share-based payments	103,000
	<b>Total remuneration</b>	<b>3,250,000</b>

AASB 124.17

During 2017, certain key management personnel exercised share options with total exercise price of \$1,685,000 (2016: \$Nil) granted in the Group's Star Program.

AASB 124.17(a)  
AASB 124.17(b)

The Group allows its employees to take up limited short-term loans to fund merchandise and other purchases through the Group's business contacts. This facility is also available to the Group's key management personnel.

The table below explains the Group's loans to key management personnel during 2017 and 2016 financial years.

	2017 \$'000	2016 \$'000
Beginning of the year	1,000	3,000
Loans advanced	40,000	38,000
Loan repayment received	40,000	40,000
Interest charged	-	-
Interest received	-	-
<b>End of year</b>	<b>1,000</b>	<b>1,000</b>

AASB 124.18(c)  
AASB 124.18(d)

The Group does not have an allowance account for receivables relating to outstanding loans and has not recognised any expense for impaired receivables during 2017 or 2016 financial years.

AASB 124.18(b)(i)

The loans to key management personnel are generally for a period of two (2) years and are repayable on quarterly instalments. These loans are unsecured and interest free.

During 2017, 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 (2016: \$Nil), based on normal market rates and was fully paid as of the reporting date.

### 28.4 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 22.3).

## 29 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 21), 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.

## 30 Capital commitments

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

	2017 \$'000	2016 \$'000	
AASB 116.74c	Property, plant and equipment	1,304	190
AASB 140.75h	Investment property	-	-
	Intangible assets	97	-
AASB 138.122e		<b>1,401</b>	<b>190</b>

## 31 Acquisitions and disposals

### 31.1 Acquisition of Goodtech Ltd

AASB 3.B64(a-d)

On 31 March 2017, the Group acquired 100% of the equity instruments of Goodtech Ltd (Goodtech), a Brisbane based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the online retail market for computer and telecommunications hardware in Australia. Goodtech is a significant business in the Group's targeted market.

The details of the business combination are as follows:

	\$'000	
AASB 3.B64(f)	<b>Fair value of consideration transferred</b>	
AASB 3.B64(f)(i)	Amount settled in cash	16,058
AASB 107.40(a)	Fair value of contingent consideration	600
	<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
	<b>Total non-current assets</b>	<b>10,297</b>
	Inventories	8,995
	Trade and other receivables	7,792
	Cash and cash equivalents	567
	<b>Total current assets</b>	<b>17,354</b>
	Borrowings	(3,478)
	Deferred tax liabilities	(632)
	<b>Total non-current assets</b>	<b>(4,110)</b>

	\$'000
	(1,320)
	(2,312)
	(5,689)
	<b>(9,321)</b>
	14,220
AASB 107.40(b)	<b>2,438</b>
AASB 107.40(c),	16,058
AASB 107.42	(567)
	<b>15,491</b>
	223
	<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 2017 and 2018 exceed a target level agreed by both parties. The additional consideration will be paid on 1 October 2018. 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 2017, there have been no changes in the estimate of the probable cash outflow but the liability has increased to \$620,000 due to the unwinding of the discount.

AASB 3.B64(m) Acquisition-related costs amounting to \$223,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

#### Identifiable net assets

AASB 3.B64(h)(i-iii) The fair value of the trade and other receivables acquired as part of the business combination amounted to \$7,792,000, with a gross contractual amount of \$7,867,000. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to \$75,000.

#### Goodwill

AASB 3.67  
AASB 136.133  
AASB 3.B64(e) 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 2017. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

### 31.2 Acquisition of Good Buy Inc.

AASB 3.B64(a) - (d) On 31 December 2015, the Group acquired 100% of the equity instruments of Good Buy Inc. (Good Buy), a Delaware (USA) based business, thereby obtaining control. The acquisition of Good Buy was made to enhance the Group's position as an online retailer for computer and telecommunication hardware in the US market.

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

AASB 3.B64(i) The details of the business combination are as follows:

	\$'000
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
	<b>Total non-current assets 6,153</b>
	Inventories 5,469
	Trade and other receivables 5,200
AASB 107.40(c)	Cash and cash equivalents 344
	<b>Total current assets 11,013</b>
	Deferred tax liabilities (435)
	Non-current liabilities (435)
	Provisions and contingent liabilities (1,234)
	Other liabilities (657)
	Trade and other payables (4,989)
	<b>Total current liabilities (6,880)</b>
	<b>Net identifiable assets and liabilities 9,851</b>
	Goodwill on acquisition 2,569
	Consideration transferred settled in cash 12,420
	Cash and cash equivalents acquired (344)
	<b>Net cash outflow on acquisition 12,076</b>
	Acquisition costs charged to expenses 76
	<b>Net cash paid relating to the acquisition 12,152</b>

#### Consideration transferred

AASB 3.B64(f)(i) The acquisition of Good Buy was settled in cash amounting to \$12,420,000.

AASB 3.B64(m) Acquisition-related costs amounting to \$76,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of 'other expenses'.

#### Identifiable net assets

AASB 3.B64(h)(i-iii) The fair value of the trade and other receivables acquired as part of the business combination amounted to \$5,200,000, with a gross contractual amount of \$5,350,000. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to \$150,000.

#### Goodwill

AASB 3.67(e)  
AASB 136.133  
AASB 3.B64(k) Goodwill of \$2,569,000 is primarily related to the sales force and the sales know-how of key personnel of Good Buy. Goodwill has been allocated to the retail segment and is not expected to be deductible for tax purposes.

#### Good Buy's contribution to the Group results

AASB 3.B64(q)(iii) Good Buy contributed \$400,000 to the consolidated profit for the six (6) months from 1 January 2015 to 30 June 2016. If Good Buy had been acquired on 1 July 2015, revenue of the Group for 2016 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 2016 reporting period cannot be determined reliably.

### 31.3 Disposal of Highstreet Ltd

See Note 32.3 below.

## 32 Interests in subsidiaries

### 32.1 Composition of the Group

Set out below details of the subsidiaries held directly by the Group:

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			30 June 2017	30 June 2016
Goodtech Ltd	Australia	Online retailer of computer and telecommunications hardware	100%	-
Good Buy Inc.	USA	Online retailer of computer and telecommunications hardware	100%	100%
Tech Squad Ltd	Australia	Design and sale of phone and intranet applications	80%	80%
Data Corp	United Kingdom	Online sales of hardware and software products	100%	100%
Highstreet Ltd	United Kingdom	Design and sale of phone and intranet applications	-	100%

#### Significant judgements and assumptions

AASB 12.9

The Group holds 45% of the ordinary shares and voting rights in Equipe Consultants S.A. (Equipe). Two (2) other investors each hold 15%. The remaining 25% is held by several other unrelated investors, none of whom own more than 2% individually. There are no arrangements for the other shareholders to consult one another or act collectively and past experience indicates that few of the other owners actually exercise their voting rights at all. The Group has appointed four (4) of Equipe's Board of Directors out of a total of eleven (11).

AASB 10.B41-B46

Management has reassessed its involvement in Equipe in accordance with AASB 10's revised control definition and guidance. It has concluded that it has significant influence but not outright control. In making its judgement, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of recent participation by those shareholders in General Meetings. Recent experience demonstrates that sufficient of the smaller shareholders participate such that they, along with the two (2) other main shareholders, prevent the Group from having the practical ability to direct the relevant activities of Equipe unilaterally.

### 32.2 Subsidiary with material non-controlling interests

AASB 12.12

The Group includes one subsidiary, Tech Squad Ltd, with material Non-Controlling Interests (NCI):

Tech Squad Ltd	Proportion of NCI ownership interests and voting rights	Profit allocated to NCI	Accumulated NCI
30 June 2017	20%	121	713
30 June 2016	20%	116	592

AASB 12.B10(a)

No dividends were paid to the NCI during the years 2017 and 2016.

AASB 12.12(g)  
AASB 12.B10(b)

Summarised financial information for Tech Squad Ltd, before intragroup eliminations, is set out below:

	2017 \$'000	2016 \$'000
Current assets	3,924	3,452
Non-current assets	5,019	5,182
<b>Total assets</b>	<b>8,943</b>	<b>8,634</b>
Current liabilities	(1,561)	(2,268)
Non-current liabilities	(3,806)	(3,402)
<b>Total liabilities</b>	<b>(5,367)</b>	<b>(5,670)</b>
<b>Equity attributable to owners of the parent</b>	<b>2,863</b>	<b>2,372</b>
<b>Non-controlling interests</b>	<b>713</b>	<b>592</b>
<b>Revenue</b>	<b>7,658</b>	<b>7,116</b>
Profit for the year attributable to owners of the parent	479	464
Profit for the year attributable to NCI	121	116
<b>Profit for the year</b>	<b>600</b>	<b>580</b>
<b>Other Comprehensive Income for the year (all attributable to owners of the parent)</b>	<b>6</b>	<b>4</b>
Total comprehensive income for the year attributable to owners of the parent	485	468
Total comprehensive income for the year attributable to NCI	121	116
<b>Total comprehensive income for the year</b>	<b>606</b>	<b>584</b>
Net cash from operating activities	957	779
Net cash used in investing activities	(531)	(673)
Net cash from / (used in) financing activities	446	(61)
<b>Net cash inflow</b>	<b>872</b>	<b>45</b>

### 32.3 Losing control over a subsidiary during the reporting period

AASB 107.40(b)  
AASB 107.40(d)

On 31 March 2017, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Ltd (Highstreet). The subsidiary was classified as held for sale in the 2016 financial statements (see Note 9).

The consideration was received in 2017. At the date of disposal, the carrying amounts of Highstreet's net assets were as follows:

	2017 \$'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)
<b>Total net assets</b>	<b>3,146</b>
Total consideration received in cash	3,117
Cash and cash equivalents disposed of	-
<b>Net cash received</b>	<b>3,117</b>
<b>Loss on disposal</b>	<b>(29)</b>

AASB 107.40(c)

AASB 107.40(a)

AASB 107.42

AASB 10.25

AASB 12.19(b)

The loss on disposal is included in the loss for the year from discontinued operations in the consolidated statement of profit or loss (see Note 9).

### 32.4 Interests in unconsolidated structured entities

AASB 12.24

The Group has no interests in unconsolidated structured entities.

## 33 Leases

### 33.1 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 2017 the net carrying amount of the warehouse and related facilities held under finance lease arrangements (included as part of buildings) is \$3,362,000 (2016: \$3,723,000); and the net carrying amount of the IT equipment held under finance lease arrangements (included as part of IT equipment) is \$231,000 (2016: \$480,000) (see Note 15).

The Group's finance lease liabilities, which are secured by the related assets held under finance leases, are classified as follows:

	2017 \$'000	2016 \$'000
Current:		
• finance lease liabilities	512	506
Non-current:		
• finance lease liabilities	4,060	4,459

Future minimum finance lease payments at the end of each reporting period under review were as follows:

	Minimum lease payments due			
	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000	Total \$'000
<b>30 June 2017</b>				
AASB 117.31(b) Lease payments	727	1,415	3,539	5,681
Finance charges	(215)	(330)	(528)	(1,073)
Net present values	512	1,085	3,011	4,608
<b>30 June 2016</b>				
AASB 117.31(b) Lease payments	726	1,432	4,072	6,230
Finance charges	(220)	(336)	(560)	(1,116)
Net present values	506	1,096	3,512	5,114

AASB 117.31(e)

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

### 33.2 Operating leases as lessee

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

	Minimum lease payments due			
	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000	Total \$'000
30 June 2017	4,211	12,567	25,678	42,456
AASB 117.35(a) 30 June 2016	3,431	12,100	24,342	39,873

AASB 117.35(c)  
AASB 117.35(b)

Lease expense during the period amount to \$3,568,000 (2016: \$3,398,000) representing the minimum lease payments.

AASB 117.35(d)

The rental contract has a non-cancellable term of fifteen (15) years. The building was subject to a sale and lease back transaction in 2008. A related gain was included in other liabilities (see Note 23) and is being amortised over the remaining lease term.

### 33.3 Operating leases as lessor

The Group leases out investment properties on operating leases (see Note 16 below).

## 34 Financial instrument risk

### 34.1 Risk management objectives and policies

AASB 101.114(d)(ii)  
AASB 7.33

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 12.1. The main types of risks are market risk, credit risk and liquidity risk.

AASB 7.IG15

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

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

### 34.2 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.

### 34.3 Foreign currency sensitivity

AASB 7.33(a)

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

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

To mitigate the Group's exposure to foreign currency risk, non-\$AUD cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within six (6) months) from longer-term cash flows (due after six (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. The \$USD fair value of the loan and the related properties are both translated into \$AUD at the prevailing spot exchange rate. Accordingly foreign currency fluctuations on the investment property are largely mitigated by offsetting movements on the related loan.

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
<b>30 June 2017</b>						
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>
<b>30 June 2016</b>						
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>

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 2017 (2016: 10%). A +/- 5% change is considered for the \$AUD/£GBP exchange rate (2016: 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous twelve (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 Australian Dollar (\$AUD) had strengthened against the US-Dollar (\$USD) by 10% (2016: 10%) and the British Pound (£GBP) by 5% (2016: 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 2017	(97)	(99)	(196)	(47)	(99)	(146)
30 June 2016	(53)	(24)	(77)	(3)	(24)	(27)

If the \$AUD had weakened against the \$USD by 10% (2016: 10%) and £GBP by 5% (2016: 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 2017	97	97	194	37	97	134
30 June 2016	53	20	73	13	20	33

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.

#### 34.4 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 2017, 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(a)  
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% (2016: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	\$'000 +1%	\$'000 -1%	\$'000 +1%	\$'000 -1%
30 June 2017	36	(36)	26	(16)
30 June 2016	32	(32)	23	(14)

AASB 117.35(a)

### 34.5 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 12.3).

AASB 7.40(a)  
AASB 7.40(b)

For the listed equity securities, an average volatility of 20% has been observed during 2017 (2016: 18%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by \$85,000 (2016: \$62,000). 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 12.3 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 2017 (2016: 13%). If the market price had increased or decreased by this amount, other comprehensive income and equity would have increased / decreased by \$15,000 (2016: \$15,000). 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).

### 34.6 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)

	2017 \$'000	2016 \$'000
<b>Classes of financial assets</b>		
Carrying amounts:		
• bonds	2,814	2,992
• listed debentures	518	455
• money market funds	655	649
• derivative financial instruments	582	212
• cash and cash equivalents	34,729	11,197
• trade and other receivables	30,945	23,441
	<b>70,243</b>	<b>38,946</b>

AASB 7.33(b)

The Group continuously monitors defaults of customers and other counterparties, identified either by individual or 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:

	2017 \$'000	2016 \$'000
Not more three (3) months	671	602
More than three (3) months but not more than six (6) months	90	88
More than six (6) months but not more than one (1) year	55	15
More than one (1) year	2	1
<b>Total</b>	<b>818</b>	<b>706</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 12.2) 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.

### 34.7 Liquidity risk analysis

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

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

AASB 7.39(c)  
AASB 7.B11F

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

AASB 7.B11E

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables (see Note 12) significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six (6) months.

As at 30 June 2017, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

AASB 7.39(a)  
AASB 7.B11

	Current		Non-current	
	Within 6 months \$'000	6 - 12 months \$'000	1 - 5 years \$'000	5+ years \$'000
<b>30 June 2017</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 months \$'000	6 - 12 months \$'000	1 - 5 years \$'000	5+ years \$'000
<b>30 June 2016</b>				
US-Dollar loans	289	289	1,781	8,508
Other bank borrowings	3,124	-	-	-
Non-convertible bond	208	208	9,303	-
Finance lease obligations	363	363	1,432	4,072
Trade and other payables	6,590	-	-	-
<b>Total</b>	<b>10,574</b>	<b>860</b>	<b>12,516</b>	<b>12,580</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date. The subordinated shareholder loan amounting to \$5,000,000 throughout all reporting periods is not included as this is only repayable upon liquidation of Grant Thornton CLEAR. 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 2017, the contractual cash flows of the Group's derivative financial assets and liabilities are as follows:

AASB 7.39(b)  
AASB 7.B11

	1 to 6 months \$'000	Current 6 to 12 months \$'000
<b>30 June 2017</b>		
Gross settled forward contracts:		
• cash outflow	(212)	(6,978)
• cash inflow	300	7,509
<b>Total</b>	<b>88</b>	<b>531</b>

AASB 7.34(a)

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

AASB 7.39(b)  
AASB 7.B11

	1 to 6 months \$'000	Current 6 to 12 months \$'000
<b>30 June 2016</b>		
Gross settled forward contracts:		
• cash outflow	(190)	(7,100)
• cash inflow	203	7,050
<b>Total</b>	<b>13</b>	<b>(50)</b>

Derivative financial instruments reflect forward exchange contracts (see Note 12.4) that will be settled on a gross basis.

## 35 Fair value measurement

### 35.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three (3) levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Inputs other than quoted prices included within **Level 1** that are observable for the asset or liability, either directly or indirectly
- **Level 3:** Unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2017 and 30 June 2016:

AASB 13.93(a)-(b)  
AASB 13.94

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 4 \$'000
<b>30 June 2017</b>				
<b>Financial assets</b>				
Listed securities and debentures	518	-	-	518
Money market funds	655	-	-	655
US-Dollar forward contracts: cash flow hedge	-	467	-	467
Other forward exchange contracts: held-for-trading	-	115	-	115
<b>Total assets</b>	<b>1,173</b>	<b>582</b>	<b>-</b>	<b>1,755</b>
<b>Financial liabilities</b>				
US-Dollar loans	-	(7,950)	-	(7,950)
Contingent consideration	-	-	(620)	(620)
<b>Total liabilities</b>	<b>-</b>	<b>(7,950)</b>	<b>(620)</b>	<b>(8,570)</b>
<b>Net fair value</b>	<b>1,173</b>	<b>(7,368)</b>	<b>(620)</b>	<b>(6,815)</b>

AASB 13.93(a)-(b)  
AASB 13.94

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 4 \$'000
<b>30 June 2016</b>				
<b>Financial assets</b>				
Listed securities and debentures	455	-	-	455
Money market funds	649	-	-	649
US-Dollar forward contracts: cash flow hedge	-	212	-	212
Other forward exchange contracts: held-for-trading	1,104	212	-	1,316
<b>Total assets</b>	<b>455</b>	<b>-</b>	<b>-</b>	<b>455</b>
<b>Financial liabilities</b>				
US-Dollar loans	-	(160)	-	(160)
Contingent consideration	-	(8,220)	-	(8,220)
<b>Total liabilities</b>	<b>-</b>	<b>(8,380)</b>	<b>-</b>	<b>(8,380)</b>
<b>Net fair value</b>	<b>1,104</b>	<b>(8,168)</b>	<b>-</b>	<b>(7,064)</b>

AASB 13.93(c)

There were no transfers between Level 1 and Level 2 in 2017 or 2016.

#### Measurement of fair value of financial instruments

AASB 13.93(d)  
AASB 13.93(g)

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer (CFO) and to the Audit Committee. Valuation processes and fair value changes are discussed among the Audit Committee and the valuation team at least every year, in line with the Group's reporting dates.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

#### Foreign currency forward contracts (Level 2)

The Group's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

### US-Dollar loans (Level 2)

The fair values of the US-Dollar loans are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risk. The interest rate used for this calculation is 3.9%.

### Contingent consideration (Level 3)

AASB 13.93(d)  
AASB 13.93(h)

The fair value of contingent consideration related to the acquisition of Goodtech (see Note 31.1) is estimated using a present value technique. The \$620,000 fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 4.4%. The probability-weighted cash outflows before discounting are \$655,000 and reflect the management's estimate of a 50% probability that the contract's target level will be achieved. The discount rate used is 4.4%, based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

Significant unobservable input	Estimate of the input	Sensitivity of the fair value measurement to input
Probability of meeting target	50%	An increase to 60% (decrease to 40%) would increase / (decrease) fair value by \$125,000

### Level 3 fair value measurements

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

	Contingent consideration	
	2017 \$'000	2016 \$'000
AASB 13.93(e) Balance at 1 July 2016	-	-
AASB 13.93(e)(iii) Acquired through business combination	(600)	-
AASB 13.93(e)(i) Losses recognised in profit or loss under:		
• finance costs	(20)	-
<b>Balance at 30 June 2017</b>	<b>(620)</b>	<b>-</b>
AASB 13.93(f) Total amount included in profit or loss for unrealised losses on Level 3 instruments under finance costs	(20)	-

AASB 13.97

### Financial instruments measured at amortised cost for which the fair value is disclosed

See Notes 12.2 and 12.6.

## 35.2 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 June 2017:

AASB 13.93(a)-(b)  
AASB 13.94

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 4 \$'000
<b>30 June 2017</b>				
<b>Property, plant and equipment:</b>				
• land held for production in Australia	-	-	7,979	7,979
• Goodtech land	-	-	730	730

AASB 13.93(a)-(b)  
AASB 13.94

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 4 \$'000
<b>Investment property:</b>				
• office building in Australia	-	-	4,552	4,552
• Goodtech investment property	-	-	75	75
• office building in the US	-	-	8,035	8,035

AASB 13.93(d)  
AASB 140.75(e)

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee at each reporting date.

Further information is set out below.

#### *Land held for production in Australia (Level 3)*

AASB 13.93(d)  
AASB 13.93(g)  
AASB 116.77(a)  
AASB 116.77(b)

The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use. In 2017, a negative adjustment of 7.5% was incorporated for these factors. The land was revalued on 23 May 2017. The land was previously revalued in May 2015.

AASB 13.93(h)

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

AASB 13.93(d)

Land with a fair value of \$730,000, recognised upon the acquisition of Goodtech in March 2017 (see Note 31.1), was not revalued at the reporting date. Management determined that the effect of changes in fair values between the acquisition and reporting date is immaterial.

#### *Office buildings in Australia and the US (Level 3)*

AASB 13.93(d)

The fair values of the office buildings are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The office buildings are revalued annually on 30 June.

AASB 13.93(h)

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 30 June 2017 were:

	Australia	United States
Rental value	AUD\$108/sqm	USD\$65/sqm
Vacancy levels	9.0%	11.0%
Discount rate (market yield)	4.4%	3.7%

AASB 13.93(h) An investment property with a fair value of \$75,000, recognised upon the acquisition of Goodtech (see Note 31.1) in March 2017, was not revalued at the reporting date. Management determined that the effect of changes in fair values between the acquisition and reporting date is immaterial.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

	PP&E Land held for production \$'000	Investment properties Australia \$'000	United States \$'000
AASB 13.93(e)	<b>Balance at 1 July 2016</b>	<b>7,697</b>	<b>7,911</b>
AASB 13.93(e)(i)	Gains recognised in profit or loss	-	124
	<b>Increase in fair value of investment property</b>		
AASB 13.93(e)(ii)	Gains recognised in other comprehensive income:		
	• revaluation of land	303	-
	• exchange differences on translating foreign operations	(21)	-
AASB 13.93(e)(iii)	• acquired in business combination	730	-
	<b>Balance at 30 June 2017</b>	<b>8,709</b>	<b>8,035</b>
AASB 13.93(f)	Total amount included in profit or loss for unrealised gains on Level 3 assets	-	124

## 36 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 2014.

AASB 101.135(a)(iii) Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	2017 \$'000	2016 \$'000
Total equity	88,242	54,009
Subordinated loan	5,000	5,000
Cash flow hedges	(469)	160
Cash and cash equivalents	(34,729)	(11,197)
<b>Capital</b>	<b>58,004</b>	<b>47,972</b>

AASB 101.135(b)

	2017 \$'000	2016 \$'000
Total equity	88,242	54,009
Borrowings	25,815	24,644
<b>Overall financing</b>	<b>114,057</b>	<b>78,653</b>
<b>Capital-to-overall financing ratio</b>	<b>0.51</b>	<b>0.61</b>

AASB 101.135(d)

The Group has honoured its covenant obligations, including maintaining capital ratios, since the subordinated loan was taken out in 2014. The ratio reduction during 2017 is primarily a result of financing the acquisition of Goodtech (see Note 31.1).

### 37 Parent entity information

Information relating to Grant Thornton CLEARR (the Parent Entity):

	2017 \$'000	2016 \$'000
<b>Statement of financial position</b>		
Current assets	56,816	40,220
<b>Total assets</b>	<b>96,751</b>	<b>96,153</b>
Current liabilities	5,942	11,784
<b>Total liabilities</b>	<b>41,355</b>	<b>54,015</b>
<b>Net assets</b>	<b>55,396</b>	<b>42,138</b>
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
<b>Total equity</b>	<b>55,396</b>	<b>42,138</b>
<b>Statement of profit or loss and other comprehensive income</b>		
Profit for the year	11,166	9,457
Other comprehensive income	322	258
<b>Total comprehensive income</b>	<b>11,488</b>	<b>9,715</b>

The Parent Entity has capital commitments of \$1.1m to purchase plant and IT equipment (2016: \$Nil). Refer to Note 30 for further details of the commitment.

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

### 38 Post-reporting date events

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

# Directors' Declaration

- CA 295(4) 1 In the opinion of the Directors of Grant Thornton CLEARR Example Ltd:
- a The consolidated financial statements and notes of Grant Thornton CLEARR Example Ltd are in accordance with the *Corporations Act 2001*, including:
- CA 295(4)(d)(ii) i Giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- CA 295(4)(d)(i) ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- CA 295(4)(c) b There are reasonable grounds to believe that Grant Thornton CLEARR Example Ltd will be able to pay its debts as and when they become due and payable.
- CA 295(4)(ca) 2 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)(c) Director  
Blake Smith
- CA 295(5)(b) Dated the 28<sup>th</sup> day of August 2017

# Independent Auditor's Report

*An independent auditor's report will be prepared by the entity's auditor in accordance with Australian Auditing Standards. This publication does not include an illustrative report as the wording of the report may differ between entities.*



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