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Model special purpose annual report

Reporting periods ending on or after 31 December 2019

Contents

About the model special purpose annual report

Purpose

This model annual report has been designed by Deloitte Touche Tohmatsu to assist users with the preparation of **special purpose annual reports** for a **for-profit large proprietary company** in accordance with:

- Provisions of the *Corporations Act 2001*
- The recognition and measurement requirements of all Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (to the extent relevant to the entity)
- The disclosure requirements of AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and AASB 1054 *Australian Additional Disclosures*
- Other requirements and guidelines current as at the date of issue, including Australian Securities and Investments Commission ('ASIC') Class Orders/Corporations Instruments, Regulatory Guides and Media Releases.

This model special purpose report is intended to be used together with the *Australian financial reporting guide*. The *Guide* provides a roadmap to financial reporting requirements and links to the various editions of the model financial reports. It also includes a comprehensive summary of key changes in financial reporting.

The *Guide* is available at www.deloitte.com/au/models. References to sections in this *Guide* in this model special purpose financial report are the 31 December 2018 edition of the *Guide*.

See section 9 *Using the illustrative financial statements* in the *Guide* for how to use these Deloitte model financial statements in conjunction with the *Guide*.

Limitations

Specialist entities

This illustration is not designed to meet specific needs of a first-time adopter of Australian Accounting Standards, not-for-profit entities, specialised industries or the specific information needs of any particular special purpose users. Rather, it is intended to illustrate the minimum information to be disclosed in the annual report of a large proprietary company that is not a reporting entity in order to satisfy the reporting requirements of the *Corporations Act 2001*.

Inquiries regarding the preparation of specialised industry special purpose financial statements should be directed to your nearest Deloitte Touche Tohmatsu office.

Non-reporting entities

Directors of entities preparing special purpose financial reports for lodgement under the *Corporations Act 2001* must ensure they have appropriately confirmed that the entity is a non-reporting entity in accordance with Australian Accounting Standards and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*.

Further guidance on the reporting entity concept can be found in section 5.2 of the *Australian financial reporting guide*, available at available at **www.deloitte.com/au/models**.

Considering the information needs of users

Preparers of special purpose financial statements should consider the specific information needs of the special purpose users to determine the level of disclosure necessary to satisfy those needs. In addition, entities preparing special purpose financial statements in order to comply with Part 2M.3 of the *Corporations Act 2001* need to ensure the financial statements and notes provide a true and fair view of the financial position and performance of the entity (s.297). Special purpose financial statements prepared to meet other regulatory requirements may need to consider similar requirements.

This may require the disclosure of information in addition to that illustrated in these financial statements. For an illustration of additional disclosure requirements, refer to the Deloitte *Model Financial Statements for the year end* 31 December 2019, together with the Deloitte *Australian financial reporting guide*, available at **www.deloitte.com/au/models**.

Basis of preparation

Accounting policy choices

For the purposes of presenting the statements of profit or loss and other comprehensive income and cash flows, the alternatives allowed under Australian Accounting Standards for those statements have been illustrated. Preparers should select the alternatives which are most appropriate to their circumstances.

Showing 'nil' amounts

In these model financial statements no amounts are shown for each line item. We have illustrated items that might be commonly encountered in practice. This does not mean that we have illustrated all possible disclosures. Nor should it be taken to mean that, in practice, entities are required to display all line items.

Assumptions

As this model does not cover all situations that may be encountered in practice, knowledge of the disclosure provisions of the *Corporations Act 2001*, Accounting Standards and Interpretations are prerequisites for the preparation of annual reports. Specifically, the report has been prepared based on certain assumptions, including the following:

- SPFS Holdings (Australia) Pty Limited is a subsidiary of an ASX listed public company
- SPFS Holdings (Australia) Pty Limited does not have any subsidiaries but does have equity accounted investments
- For taxation purposes, the entity is a member of a tax consolidated group, of which the entity's parent is the head entity
- The functional currency of the entity is Australian dollars.

For guidance on consolidated financial statements refer to the Deloitte *Model Financial Statements* for the year end 31 December 2019.

Source references

References to the relevant requirements are provided in the left-hand column of each page of this illustration. Where doubt exists as to the appropriate treatment, examination of the source of the disclosure requirement is recommended.

Abbreviations

Abbreviations used in this illustration are as follows:

Term	Meaning
s.	Section of the *Corporations Act 2001*
Reg	Regulation of the *Corporations Regulations 2001*
AASB	Australian Accounting Standard issued by the Australian Accounting Standards Board
Int	Interpretation issued by the Australian Accounting Standards Board
APES	Professional and Ethical Standard issued by the Accounting Professional and Ethical Standards Board
ASA	Australian Auditing Standard issued by the Auditing and Assurance Standards Board
ASIC-CO/ ASIC-CI	Australian Securities and Investments Commission Class Order/Corporations Instrument issued pursuant to s.341(1) of the *Corporations Act 2001*
ASIC-RG	Australian Securities and Investments Commission Regulatory Guide

SPFS Holdings (Australia) Pty Limited

ACN 123 456 789

Annual report for the financial year ended
31 December 2019

Directors' report

Source

Application to different types of entities

This model financial report is intended to illustrate the minimum information to be disclosed in the annual report of a **for-profit large proprietary company** in order to satisfy the reporting requirements of the *Corporations Act 2001*.

If the annual report is being prepared for a **public company** that is not a reporting entity, the following additional disclosures should be included in the directors' report:

s.300(10)(a)
- Each director's qualifications, experience and special responsibilities

s.300(10)(b)
- The number of meetings of the board of directors held during the year and each director's attendance at those meetings

s.300(10)(c)
- The number of meetings of each board committee held during the year and each director's attendance at those meetings

s.300(10)(d)
- The qualifications and experience of each person who is a company secretary of the company as at the end of the year.

s.300(10)

The above information does not need to be included in the directors' report of a public company that is a wholly-owned subsidiary of a company incorporated in Australia.

These disclosures are illustrated in the Deloitte *Australian financial reporting guide*.

s.1308(7)

Where the directors' report contains information in addition to that required by the *Corporations Act 2001*, the information will be regarded as part of the directors' report for the purposes of s.1308 'False or misleading statements'.

Transfer of information from the directors' report into another document forming part of the annual report

s.300(2)

Information required by s.300 need not be included in the directors' report where such information is disclosed in the financial statements.

ASIC-CI 2016/188

Information required by s.298(1AA)(c), s.298(1AB)(b), s.298(1A), s.299 to s.300 (other than s.300(11B) and (11C)) and s.300B to the extent that these sections require certain information to be included in the directors' report (or in the financial report under s.300(2)) may be transferred to a document attached to the directors' report and financial report where a prominent cross reference to the pages containing the excluded information exists and certain conditions are satisfied. The information required by s.298(1A), s.299, s.299A and s.306(2) may not be transferred into the financial report.

Where information is transferred into the financial report it will be subject to audit.

Source

The directors of SPFS Holdings (Australia) Pty Limited submit herewith the annual report of the company for the financial year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

s.300(1)(c) The names of the directors of the company during or since the end of the financial year are:

Name

Mr C.J. Chambers	Mr B.M. Stavrinidis
Mr P.H. Taylor	Mr W.K. Flinders
Ms F.R. Ridley	Ms S.M. Saunders
Mr A.K. Black	

s.300(1)(c) The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Mr W.K. Flinders – resigned 17 June 2019
- Ms S.M. Saunders – appointed 3 February 2019, resigned 16 January 2020
- Mr A.K. Black – appointed 15 January 2019

Former partners of the audit firm

s.300(1)(ca) The directors' report must disclose the name of each person who:

- Is an officer of the company, registered scheme or disclosing entity at any time during the year
- Was a partner in an audit firm, or a director of an audit company, that is an auditor of the company, disclosing entity or registered scheme for the year
- Was such a partner or director at a time when the audit firm or the audit company undertook an audit of the company, disclosing entity or registered scheme.

Principal activities

s.299(1)(c) The company's principal activities in the course of the financial year were *[describe]*..

During the financial year the company sold its *[describe]* business. Details of the sale are contained in note 7 and note 28 to the financial statements. During the year the board of directors decided to dispose of the *[describe]* business. Details of the planned disposal are contained in note 7 to the financial statements.

Review of operations

s.299(1)(a) The directors' report must contain a review of the company's operations during the financial year and the results of those operations.

ASIC-RG 247 **ASIC Regulatory Guide 247 *Effective disclosure in an operating and financial review***
In preparing this disclosure, entities may wish to refer to ASIC Regulatory Guide 247 *Effective disclosure in operating and financial review* (RG 247, available at **www.asic.gov.au**) and the ASX Guidance Note 10 *Review of Operations and Activities: Listing Rule 4.10.17* and to the G100's *Guide to Review of Operations and Financial Condition* (both available at **www.asx.com.au**), providing guidance on the form and content of an entity's review of operations and the results of those operations, including specific guidance on items which might be appropriately included in such a review. Although the guidance has been issued with respect to listed companies it represents best practice and may provide guidance to directors when complying with the disclosure requirements of the *Corporations Act 2001*.

Source

Presenting the narrative and analysis
Recommended disclosures for presenting the narrative and analysis in an Operating and Financial Review (OFR) are:

- Information should be presented in a single self-contained section of the annual report
- Information should be presented in a manner that complements and remains consistent to information disclosed in the financial report and other disclosure announcements of the entity and the disclosures must be balanced and unambiguous. At the same time, the OFR should present information in a clear, concise and effective manner.

Operations and financial position
Information regarding the operations and financial position of the entity should reflect the individual circumstances of the entity and its business environment. In this regard, RG 247 outlines that the OFR should:

- Describe and provide a review of the operations that the entity undertakes, including the results of these operations, and give details of any significant changes during the reporting period
- Explain the drivers and reasons for the entity's results and financial position and key developments in the reporting period, including significant factors affecting the entity's results and financial position
- Highlight any qualification by the entity's auditor and provide the circumstances to explain the concerns underlying the audit opinion
- Explain the entity's business model, and its effect on the entity's operations, including its main features, any key dependencies and the significance of particular operating segments
- Discuss results for the key operating segments and major components of the overall result.

Business strategies and prospects for future financial years
Information on business strategies and prospects for future financial years should focus on what may affect the future financial performance and position of the entity. RG 247 outlines that the OFR should:

- Discuss the entity's key business strategies and significant plans
- Explain the financial performance and financial outcomes that the entity expects to achieve overall, and significant factors on which the achievement of these objectives depends
- Discuss the material business risks that could adversely affect the achievement of the described financial performance.

Inclusion of numerical financial forecasts is not expected in an OFR. However, if an entity chooses to present financial forecasts in its OFR, it should consider the guidance contained in Regulatory Guide 170 *Prospective Financial Information* (available at **asic.gov.au**) on the presentation of prospective and hypothetical information.

The relevant time period for which business strategies and prospects should be described, will depend on the individual circumstances of the entity, taking into account factors such as the age of the entity, the business in which it is engaged, the industry in which it operates and the types of commitments it enters into.

ASX Guidance Note 10 *Review of Operations and Activities: Listing Rule 4.10.17* and G100's *Guide to Review of Operations and Financial Condition*

ASX-GN 10

In addition, entities may wish to refer to ASX Guidance Note 10 *Review of Operations and Activities: Listing Rule 4.10.17* and to the G100's *Guide to Review of Operations and Financial Condition*, providing guidance on the form and content of the entity's review of operations and the results of those operations, including specific guidance on items which might be appropriately included in such a review.

Source

It is recommended that the review should provide users, being shareholders, prospective investors and other interested stakeholders, an understanding of the entity by providing short and long-term analysis of the business as seen through the eyes of the directors. As such, the review should aim to meet the information needs of users of financial reports relating to the current reporting period and also provide them with a basis for forming a view as to likely future performance in the context of the strategies of the entity for achieving long-term value creation and known trends in performance. This requires that the review contains a discussion of the operations of the period, including an explanation of unusual or infrequent events and transactions, and an analysis of the opportunities and risks facing the entity, together with the planned approach to managing those opportunities and risks. Given this context, preparers of annual reports are encouraged to provide:

- An overview of the entity and its strategy
- A review of operations, considering both short and longer-term value creation in the context of the entity's strategy
- Information on investments made to enhance future value creating potential
- A review of the entity's financial condition
- An overview of risk management and governance practices.

This is aimed at anchoring the review in a strategic context of how the entity is aiming to enhance shareholder value, both in the short and long term. This includes discussion of both financial and non-financial elements of performance, including analysis using relevant financial and non-financial key performance indicators. The latter may include sustainability related indicators. The recommended contents of the review include:

- Overview and strategy:
  - Explaining the objectives of the entity and how they are to be achieved
  - Including a discussion and analysis of key financial and non-financial performance indicators used by management in their assessment of the entity and its performance (including relevant sustainability performance indicators)
  - Discussing the main factors and influences that may have a major effect on future results (including potential longer-term effects), whether or not they were significant in the period under review. This may include discussion of market opportunities and risks; competitive advantage; changes in market share or position; economic factors; key customer and other relationships; employee skills and training; environmental, occupational health and safety aspects; significant legal issues; and innovation and technological developments.
- Review of operations:
  - Discussing the main activities of the entity, including significant features of operating performance for the period under review. It should cover all aspects of operations, focussing on the entity as a whole 'through the eyes of the directors'. It should not be boilerplate, and should cover significant aspects of the entity's performance in the period, financial and non-financial. Consideration should be given to unusual or infrequent events or transactions, including material acquisitions or disposals, major sources of revenues and expenses, and changes in factors which affect the results to enable users to assess the significance of the ongoing and core activities of the entity to identify the sustainability of performance over the longer-term
  - Providing the overall return attributable to shareholders in terms of dividends and increases in shareholders' funds, including a commentary on the comparison between the results of the financial year and dividends, both in total and in per share terms, and indicating the directors' overall distribution policy.

Source

- Providing information on investments made for future performance, including capital expenditure and other expenditure enhancing future performance potential. This may include marketing and advertising spend to enhance brand loyalty and reputation; staff training and development programmes; quality improvement and health and safety programs; customer relationship management; and expansion of production capacity.

- Review of financial conditions:
  - Capital structure of the entity including capital funding and treasury policies and objectives
  - Cash from operations and other sources of capital
  - Discussion of the liquidity and funding at the end of the period under review, including restrictions on funds transfer, covenants entered into and the maturity profile of borrowings
  - Discussing the resources available to the entity not reflected in the statement of financial position, for example mineral reserves, key intellectual property (e.g. databases or specific entity competences); market-position; employee competences or resources/skills and their role in creating longer-term value
  - Impact of legislation and other external requirements having a material effect on the financial condition in the reporting period or expected to have a material effect on the financial condition in future periods.
- Risk management and corporate governance practices, including management of both financial and non-financial risks.

ASIC-RG 230

Non-IFRS financial information

If the directors consider it appropriate to include non-IFRS financial information in the OFR, the directors' report or another document in the annual report, the guidelines in Section D of Regulatory Guide 230 *Disclosing non-IFRS financial information* (available at **asic.gov.au**) should be followed to assist in reducing the risk of non-IFRS financial information being misleading[1].

Important considerations include that:

- IFRS financial information should be given equal or greater prominence compared to non-IFRS financial information, in particular IFRS profit
- Non-IFRS information should:
  - Be explained and reconciled to IFRS financial information
  - Be calculated consistently from period to period
  - Be unbiased and not used to remove 'bad news'.

Entities should refer to the complete document when preparing their reports as it provides detailed guidance for presenting non-IFRS financial information.

A clear statement should be made about whether the non-IFRS financial information has been audited or reviewed in accordance with Australian Auditing Standards.

s.299(1)(b)

Changes in state of affairs

During the financial year, the company disposed of its toy business. The company is also seeking to dispose of its bicycle business, in order to focus its operations towards the manufacture and distribution of electronic equipment and leisure goods. Other than the above, there was no significant change in the state of affairs of the company during the financial year.

[1] Non-IFRS financial information is financial information presented other than in accordance with all relevant accounting standards.

Source	
	Subsequent events
s.299(1)(d)	There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.
	Otherwise, describe the matter(s) or circumstance(s).
	Future developments
s.299(1)(e), s.299(3)	Directors must bring likely developments in the operations of the entity in future financial years and the expected results of those operations to the attention of the users of the annual report. These disclosures are not required where they would result in unreasonable prejudice to the entity. **Use of the 'unreasonable prejudice' exemption** In determining whether any information should be omitted in the case of 'unreasonable prejudice', RG 247 *Effective disclosure in operating and financial review* (available at **asic.gov.au**) suggests that: • Unreasonable prejudice means the consequence would be unreasonable if, for example, disclosing the information is likely to give third parties (such as competitors, suppliers and buyers) a commercial advantage, resulting in a material disadvantage to the entity • Likely means 'more than a possibility' or 'more probable than not'. Even where the exemption is relied upon it is still expected that some information should be able to be disclosed about an entities business strategies and prospects.
	Environmental regulations
s.299(1)(f)	If the entity's operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, the directors' report should disclose details of the entity's performance in relation to the environmental regulation.
ASIC-RG 68.74	The ASIC has provided the following guidance on completing environmental regulations disclosures: • Prima facie, the requirements would normally apply where an entity is licensed or otherwise subject to conditions for the purposes of environmental legislation or regulation • The requirements are not related specifically to financial disclosures (e.g. contingent liabilities and capital commitments) but relate to performance in relation to environmental regulation. Hence, accounting concepts of materiality in financial statements are not applicable • The information provided in the directors' report cannot be reduced or eliminated because information has been provided to a regulatory authority for the purposes of any environmental legislation • The information provided in the director's report would normally be more general and less technical than information which an entity is required to provide in any compliance reports to an environmental regulator.

Source	
	Dividends
s.300(1)(a)	In respect of the financial year ended 31 December 2018, as detailed in the directors' report for that financial year, a final dividend of ____ cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on *[date]*.
s.300(1)(a)	In respect of the financial year ended 31 December 2019, an interim dividend of ____ cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on *[date]*.
s.300(1)(a)	In respect of the financial year ended 31 December 2019, an interim dividend of ____ cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of redeemable cumulative preference shares on *[date]*.
s.300(1)(b)	In respect of the financial year ended 31 December 2019, the directors recommend the payment of a final dividend of ____ cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on *[date]*.
	Where no dividends have been paid or declared since the start of the financial year, and/or the directors do not recommend the payment of a dividend in respect of the financial year, the directors' report should disclose that fact.
AASB 110.13	If dividends are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity) after the reporting date but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the reporting date because no obligations exist at that time. Such dividends are disclosed in the notes to the financial statements in accordance with AASB 101 *Presentation of Financial Statements*.
	Share options
	Where the entity has share options over unissued shares or interests of the company, registered scheme or disclosing entity, examples of the required disclosures noted below are illustrated in the Deloitte *Model Financial Statements for the year ended 31 December 2018*, together with the Deloitte *Australian financial reporting guide*. These requirements however do not apply to options over shares in the entity's parent.
s.300(3)	The disclosures required by s.300(1)(d), s.300(1)(e) and s.300(1)(f) (illustrated in section 10 of the Deloitte *Australian financial reporting guide*.) cover: • Options over unissued shares and interests of the company, registered scheme or disclosing entity • If financial statements are required – options over unissued shares and interests of any controlled entity that is a company, registered scheme or disclosing entity.
	Share options granted to directors and senior management
s.300(1)(d)	The directors' report should include details of options that are: • Granted over unissued shares or unissued interests during or since the end of the financial year • Granted to any of the directors or any of the 5 most highly remunerated officers of the company (other than the directors) • Granted to them as part of their remuneration.
s.300(5)	The details of an option granted during or since the end of the financial year should include: • The identity of the company, registered scheme or disclosing entity granting the option • The name of the person to whom the option is granted • The number and class of shares or interests over which the option is granted.

Source

Shares under option or issued on exercise of options

The directors' report should include details of:

s.300(1)(f)

- Shares or interests issued during or since the end of the financial year as a result of the exercise of an option over unissued shares or interests

s.300(1)(e)

- Unissued shares or interests under option as at the date of the directors' report.

s.300(6)

The details of unissued shares or interests under option should include:

- The company, registered scheme or disclosing entity that will issue shares or interests when the options are exercised
- The number and classes of those shares or interests
- The issue price, or the method of determining the issue price, of those shares or interests
- The expiry date of the options
- Any rights that option holders have under the options to participate in any share issue or interest issue of the company, registered scheme or disclosing entity or of any other body corporate or registered scheme.

s.300(7)

The details of shares and interests issued as a result of the exercise of any option should include:

- The company, registered scheme or disclosing entity issuing the shares or interests
- The number of shares or interests issued
- If the company, registered scheme or disclosing entity has different classes of shares or interests, the class to which each of those shares or interests belongs
- The amount unpaid on each of those shares or interests
- The amount paid, or agreed to be considered as paid, on each of those shares or interests.

Indemnification of officers and auditors

s.300(1)(g), s.300(8), s.300(9)

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr A.B. Grey, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Where the company has not indemnified or agreed to indemnify an officer or auditor against a liability incurred, or paid an insurance premium in respect of a contract insuring against a liability incurred by an officer or auditor, the following disclosure is encouraged:

'During or since the end of the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.'

Source	
	Registered schemes [registered schemes only]
s.300(13)	The directors' report for a registered scheme should disclose details of: • The fees paid to the responsible entity and its associates out of scheme property during the financial year • The number of interests in the scheme held by the responsible entity or its associates as at the end of the financial year • Interests in the scheme issued during the financial year • Withdrawals from the scheme during the financial year • The value of the scheme's assets as at the end of the financial year, and the basis for the valuation • The number of interests in the scheme as at the end of the financial year.
	Proceedings on behalf of the company
s.300(14)	The directors' report should disclose, with respect to persons applying for leave under s.237 to bring, or intervene in, proceedings on behalf of the company, the applicant's name and a statement whether leave was granted.
s.300(15)	Where leave is granted under s.237, the directors' report should disclose the following details of any proceedings that a person has brought, or intervened in, on behalf of the company: • The person's name • The names of the parties to the proceedings • Sufficient information to enable members to understand the nature and status of the proceedings (including the cause of action and any orders made by the court).
	Auditor's independence declaration
s.298(1AA)(c)	The auditor's independence declaration is included on page 17.
	True and fair view
s.298(1A)	If the financial statements for a financial year include additional information under s.295(3)(c) to give a true and fair view of financial position and performance, the directors' report for the financial year must also: • Set out the directors' reasons for forming the opinion that the inclusion of that additional information was necessary to give a true and fair view required by s.297 • Specify where that additional information can be found in the financial statements.

Source

Rounding off of amounts

If the company is of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and consequently the amounts in the directors' report and the financial statements are rounded, that fact must be disclosed in the financial statements or the directors' report.

ASIC-CI 2016/191

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Or

ASIC-CI 2016/191

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

Or

ASIC-CI 2016/191

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest million dollars, unless otherwise indicated.

s.298(2)

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

(Signature)

C.J. Chambers
Director

Sydney, 14 April 2020

Auditor's independence declaration

Source

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
SPFS Holdings (Australia) Pty Limited
167 Second Terrace
SYDNEY NSW 2000

14 April 2020

Dear Board Members,

SPFS Holdings (Australia) Pty Limited

s.306(1A), s.307C, ASIC-CI 2016/188

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of SPFS Holdings (Australia) Pty Limited.

As lead audit partner for the audit of the financial statements of SPFS Holdings (Australia) Pty Limited for the financial year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely
DELOITTE TOUCHE TOHMATSU

T.L. Green
Partner
Chartered Accountants

Source	
s.307C(1), (3)	If an audit firm, audit company or individual auditor conducts an audit or review of the financial statements for the financial year, the lead auditor must give the directors of the company, registered scheme or disclosing entity a written declaration that, to the best of the individual or lead auditor's knowledge and belief, there have been: • No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit or review • No contraventions of any applicable code of professional conduct in relation to the audit or review. Alternatively, if contraventions have occurred, the auditor is required to set out those contraventions in a written declaration that, and include a statement in the declaration that to the best of the individual or lead auditor's knowledge and belief, those contraventions are the only contraventions of: • The auditor independence requirements of the *Corporations Act 2001* in relation to the audit or review, or • Any applicable code of professional conduct in relation to the audit or review.
s.307C(5)(a)	The auditor's independence declaration must be given when the audit report is given to the directors of the company, registered scheme or disclosing entity (other than when the conditions in s.307(5A) are satisfied – see below) and must be signed by the person making the declaration.

s.307C(5A)	A declaration under s.307C(1) or s.307C(3) in relation to financial statements for a financial year satisfies the conditions in subsection 307C if:
	• The declaration is given to the directors of the company, registered scheme or disclosing entity before the directors pass a resolution under s.298(2) in relation to the directors' report for the financial year
	• A director signs the directors' report within 7 days after the declaration is given to the directors
	• The auditors' report on the financial statements is made within 7 days after the directors' report is signed
	• The auditors' report includes either of the following statements:
	  – A statement to the effect that the declaration would be in the same terms if it had been given to the directors at the time that auditors' report was made
	  – A statement to the effect that circumstances have changed since the declaration was given to the directors, and setting out how the declaration would differ if it had been given to the directors at the time the auditor's report was made.

s.307C(5B)	An individual auditor or lead auditor is not required to give a declaration under s.307C(1) and s.307C(3) in respect of a contravention if: • The contravention was a contravention by a person of s.324CE(2) or s.324CG(2) (strict liability contravention of specific independence requirements by individual auditor or audit firm), or s.324CF(2) (contravention of independence requirements by members of audit firms) • The person does not commit an offence because of s.324CE(4), s.324CF(4) or s.324CG(4) (quality control system defence).

Independent auditor's report

Source

An independent auditor's report shall be prepared by the auditor in accordance with Australian Auditing Standards.

Duty to form an opinion

The auditor is required to form an opinion on the following:

s.307(a), s.308(1) (a) Whether the financial statements are in accordance with the *Corporations Act 2001*, including:
- (i) Whether the financial statements comply with accounting standards
- (ii) Whether the financial statements give a true and fair view of the financial performance and position of the entity

s.307(aa) (aa) If the financial statements include additional information under s.295(3)(c) (information included to give true and fair view of financial position and performance) – whether the inclusion of that additional information was necessary to give the true and fair view required by s.297

s.307(b) (b) Whether the auditor has been given all information, explanations and assistance necessary for the conduct of the audit

s.307(c) (c) Whether the company has kept financial records sufficient to enable financial statements to be prepared and audited

s.307(d) (d) Whether the company has kept other records and registers as required by the *Corporations Act 2001*

s.308(3)(b) The auditor is only required to include in the audit report particulars of any deficiency, failure or shortcoming in respect of any matter referred to in s.307(b), (c) or (d) above.

Qualified audit opinions

s.308(2) Where, in the auditor's opinion, there has been a departure from a particular Australian Accounting Standard, the audit report must, to the extent that is practicable to do so, quantify the effect that non-compliance has on the financial statements. If it is not practicable to quantify the effect fully, the report must say why.

Duty to report

s.308(3)(a) The auditor is required to report any defect or irregularity in the financial statements.

s.308(3A) The audit report must include any statements or disclosures required by the auditing standards.

s.308(3B) If the financial statements include additional information under s.295(3)(c) (information included to give true and fair view of financial position and performance), the audit report must also include a statement of the auditor's opinion on whether the inclusion of that additional information was necessary to give the true and fair view required by s.297.

Source	
	Duty to inform
s.311	The auditor must inform the ASIC in writing if the auditor is aware of circumstances that: • The auditor has reasonable grounds to suspect amount to a contravention of the *Corporations Act 2001*, or • Amount to an attempt, in relation to the audit, by any person to unduly influence, coerce, manipulate or mislead a person involved in the conduct of the audit, or • Amount to an attempt, by any person, to otherwise interfere with the proper conduct of the audit.
s.311	The auditor is required to notify ASIC in writing of the circumstances of the matters outlined above as soon as practicable and in any case within 28 days, after the auditor becomes aware of those circumstances.
ASIC-RG 34	ASIC Regulatory Guide 34 *Auditor's obligations: Reporting to ASIC* (available at **asic.gov.au**) provides guidance on the procedures to be followed by registered company auditors in complying with s.311 of the *Corporations Act 2001*, including specific reference to evidence of a contravention, examples of contraventions and timing of notification.

Directors' declaration

Source

As detailed in note 3 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the *Corporations Act 2001*.

The directors declare that:

s.295(4)(c) (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

s.295(4)(d) (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company.

s.295(5) Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

(Signature)

C.J. Chambers
Director

Sydney, 14 April 2020

Index to the financial statements

For guidance on the format of the financial statements see section 6.3.1 of the *Australian financial reporting guide*, available at www.deloitte.com/au/models

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

(Alternative 1: Single statement presentation, with expenses analysed by function)

Source		Notes	Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000 (Restated)*
AASB 101.51(d), (e) AASB 108.22				
	Continuing operations			
AASB 101.82(a)	Revenue			
AASB 101.99	Cost of sales			
AASB 101.85	**Gross profit**			
AASB 101.85	Finance income – interest income			
AASB 101.85	Finance income – other			
AASB 101.85	Other gains and losses	5		
AASB 101.82(c)	Share of profits of associates and joint ventures			
AASB 101.85	Gain recognised on disposal of interest in former associate			
AASB 101:82(aa)	Net gain/(loss) from the derecognition of financial assets measured at amortised cost			
AASB 101:82(ca)	Net gain/(loss) on reclassification of financial assets from amortised cost to FVTPL			
AASB 101:82(ba)	Impairment losses on financial assets	9		
AASB 101:82(cb)	Net gain/(loss) on reclassification of financial assets from FVTOCI to FVTPL			
AASB 101.99	Distribution costs			
AASB 101.99	Marketing expenses			
AASB 101.99	Occupancy expenses			
AASB 101.99	Administration expenses			
AASB 101.82(b)	Finance costs			
AASB 101.99	Other expenses			
AASB 101.85	**Profit/(loss) before tax**			
AASB 101.82(d)	Income tax expense			
AASB 101.85	**Profit/(loss) for the year from continuing operations**	9		
	Discontinued operations			
AASB 101.82(ea)	Profit/(loss) for the year from discontinued operations	7		
AASB 101.81A(a)	**Profit/(loss) for the year**			

Source		Notes	Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000 (Restated)*
AASB 101.51(d), (e) AASB 108.22				
AASB 101.91(a)	**Other comprehensive income, net of income tax**			
AASB 101.82A(a)(i), (b)(i)	***Items that will not be reclassified subsequently to profit or loss:***			
AASB 101.82A(a)(i)	Gains/(losses) on property revaluation			
AASB 101.82A(a)(i)	Remeasurement of defined benefit liability			
AASB 101.82A(b)(i)	Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI			
AASB 101.82A(b)(i)	Fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk			
AASB 101.82A(b)(i)	Share of other comprehensive income of associates			
AASB 101.82A(b)(i)	Share of other comprehensive income of joint ventures			
AASB 101.82A(a)(i)	Other *[describe]*			
AASB 101.82A(a)(ii), (b)(ii)	***Items that may be reclassified subsequently to profit or loss:***			
AASB 101.82A(a)(ii)	Exchange differences on translating foreign operations			
AASB 101.82A(a)(ii)	Fair value gain/(loss) on investments in debt instruments measured at FVTOCI			
AASB 101.82A(a)(ii)	Fair value gain/(loss) on hedging instruments entered into for cash flow hedges			
AASB 101.82A(b)(ii)	Share of other comprehensive income of associates			
AASB 101.82A(b)(ii)	Share of other comprehensive income of joint ventures			
AASB 101.82A(a)(ii)	Other *[describe]*			
AASB 101.81A(b)	**Other comprehensive income for the year, net of income tax**			
AASB 101.81A(c)	**Total comprehensive income for the year**			

Additional sources: AASB 101.10(b), 10(ea), 10A, 51(b), 51(c), 113

* The comparative information has been restated as a result of the initial application of AASB 16 *Leases* as discussed in note 2.

For guidance on the presentation of the statement of profit or loss and other comprehensive income, see section 6.3.2 of the *Australian financial reporting guide*, available at www.deloitte.com/au/models

Statement of profit or loss

For the year ended 31 December 2019

(Alternative 2: Presentation as two statements, with expenses analysed by nature)

Source		Notes	Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000 (Restated)*
AASB 101.51(d), (e) AASB 108.22				
	Continuing operations			
AASB 101.82(a)	Revenue			
AASB 101.82(a)	Finance income – interest income			
AASB 101.85	Finance income – other			
AASB 101.99	Changes in inventories of finished goods and work in progress			
AASB 101.99	Raw materials and consumables used			
AASB 101.99	Depreciation and amortisation expenses	9		
AASB 101.99	Employee benefits expense	9		
AASB 101.82(b)	Finance costs			
AASB 101.99	Transport costs			
AASB 101.99	Advertising costs			
AASB 101.99	Impairment of property, plant and equipment			
AASB 101.82(c)	Share of profits of associates and joint ventures			
AASB 101.85	Gain recognised on disposal of interest in former associate			
AASB 101:82(aa)	Gains and losses arising from the derecognition of financial assets measured at amortised cost			
AASB 101:82(ca)	Gains and loss on reclassification of financial assets from amortised cost to FVTPL			
AASB 101:82(ba)	Impairment losses (including reversals of impairment losses) on financial assets and contract assets	9		
AASB 101:82(cb)	Gain/(loss) on reclassification of financial assets from FVTOCI to FVTPL			
AASB 101.85	Other gains and losses			
AASB 101.85	**Profit/(loss) before tax**			
AASB 101.82(d)	Income tax			
AASB 101.85	**Profit/(loss) for the year from continuing operations**	9		
	Discontinued operations			
AASB 101.82(ea)	Profit/(loss) for the year from discontinued operations	7		
AASB 101.81A(a)	**Profit/(loss) for the year**			

Additional sources: AASB 101.10(b), 10(ea), 51(b), 51(c), 113

* The comparative information has been restated as a result of the initial application of AASB 16 *Leases* as discussed in note 2.

For guidance on the presentation of the statements of profit or loss and comprehensive income, see section 6.3.2 of the *Australian financial reporting guide*, available at www.deloitte.com/au/models

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

(Alternative 2: Presentation as two statements, with expenses analysed by nature - continued)

Source		Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000 (Restated)*
AASB 101.51(d), (e) AASB 108.22			
AASB 101.10A	**Profit/(loss) for the year**		
	Other comprehensive income		
AASB 101.82A(a)(i), (b)(i)	***Items that will not be reclassified subsequently to profit or loss:***		
AASB 101.82A(a)(i)	Gains/(losses) on property revaluation		
AASB 101.82A(a)(i)	Remeasurement of defined benefit liability		
AASB 101.82A(b)(i)	Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI		
AASB 101.82A(b)(i)	Fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk		
AASB 101.82A(b)(i)	Share of other comprehensive income of associates		
AASB 101.82A(b)(i)	Share of other comprehensive income of joint ventures		
AASB 101.82A(a)(i)	Other *[describe]*		
AASB 101.90, 91(b)	Income tax relating to items that will not be reclassified subsequently to profit or loss		
AASB 101.82A(a)(ii), (b)(ii)	***Items that may be reclassified subsequently to profit or loss:***		
AASB 101.82A(a)(ii)	Foreign currency translation, net of investment hedges of foreign operations		
AASB 101.82A(a)(ii)	Debt instruments measured at FVTOCI		
AASB 101.82A(a)(ii)	Cash flow hedges		
AASB 101.82A(b)(ii)	Share of other comprehensive income of associates		
AASB 101.82A(b)(ii)	Share of other comprehensive income of joint ventures		
AASB 101.82A(a)(ii)	Other *[describe]*		
AASB 101.91(b)	Income tax relating to items that may be reclassified subsequently to profit or loss		
AASB 101.81A(b)	**Other comprehensive income for the year, net of income tax**		
AASB 101.81A(c)	**Total comprehensive income for the year**		

* The comparative information has been restated as a result of the initial application of AASB 16 *Leases* as discussed in note 2.

Additional sources: AASB 101.10(b), 10(ea), 10A, 51(b), 51(c), 113

For guidance on the presentation of the statements of profit or loss and comprehensive income, see section 6.3.2 of the *Australian financial reporting guide*, available at www.deloitte.com/au/models

Statement of financial position

For the financial year ended 31 December 2019

Source		Notes	31/12/2019 $'000	31/12/2018 $'000 (Restated)*	1/1/2018 $'000 (Restated)*
AASB 101.113					
AASB 101.51(d), (e)					
	Assets				
AASB 101.60	***Current assets***				
AASB 101.54(i)	Cash and bank balances	29			
AASB 101.54(h)	Trade and other receivables	10			
AASB 101.55	Finance lease receivables				
AASB 101.54(d)	Other financial assets	11			
AASB 101.54(g)	Inventories	12			
AASB 101.54(n)	Current tax assets				
AASB 101.55	Other assets	17			
AASB 101.54(j)	Assets classified as held for sale	8			
	Total current assets				
AASB 101.60	***Non-current assets***				
AASB 101.55	Finance lease receivables				
AASB 101.54(d)	Other financial assets	11			
AASB 101.54(a)	Property, plant and equipment	13			
AASB 101.55	Right of use assets	14			
AASB 101.54(b)	Investment property				
AASB 101.54(e)	Investments in associates and joint ventures	15			
AASB 101.55	Goodwill				
AASB 101.54(c)	Other intangible assets	16			
AASB 101.54(o)	Deferred tax assets	6			
AASB 101.55	Other assets	17			
	Total non-current assets				
	Total assets				

Source		Notes	31/12/2019	31/12/2018	1/1/2018
AASB 101.113					
AASB 101.51(d), (e)			$'000	$'000 (Restated)*	$'000 (Restated)*
	Liabilities				
AASB 101.60	***Current liabilities***				
AASB 101.54(k)	Trade and other payables	18			
AASB 101.55	Lease liabilities	19			
AASB 101.55	Borrowings	20			
AASB 101.54(m)	Other financial liabilities	21			
AASB 101.54(n)	Current tax liabilities				
AASB 101.54(l)	Provisions	22			
AASB 101.55	Other liabilities	23			
AASB 101.54(p)	Liabilities directly associated with assets classified as held for sale	8			
	Total current liabilities				
AASB 101.60	***Non-current liabilities***				
AASB 101.55	Lease liabilities	19			
AASB 101.55	Borrowings	20			
AASB 101.54(m)	Other financial liabilities	21			
AASB 101.55	Retirement benefit obligation				
AASB 101.54(l)	Provisions	22			
AASB 101.54(o)	Deferred tax liabilities				
AASB 101.55	Other liabilities	23			
	Total non-current liabilities				
	Total liabilities				
	Net assets				
	Equity				
AASB 101.55	Share capital	24			
AASB 101.55	Reserves	25			
AASB 101.55	Retained earnings	26			
	Total equity				

Additional references: AASB 101.10(a), 10(ea), 10(f), 51(b)(, 51(c)

* The comparative information has been restated as a result of the initial application of AASB 16 *Leases* as discussed in note 2.

Source

AASB 101.40A

Third statement of financial position

AASB 101.40A requires an entity to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) if:

- It applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements
- The retrospective application, retrospective restatement or the reclassification has a *material* effect on the information in the third statement of financial position.

Other than disclosures of certain specified information as required by AASB 101.41-44 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the related notes to the third statement of financial position are not required to be disclosed.

For guidance on the presentation of the statement of financial position, see section 6.3.3 of the *Australian financial reporting guide*, available at www.deloitte.com/au/models

Statement of changes in equity

For the year ended 31 December 2019

Source		Share capital	Properties revaluation reserve	Investments revaluation reserve	Financial liabilities at FVTPL credit risk reserve	Share-based payments reserve	Cash flow hedging reserve	Foreign currency translation reserve	Option premium on convertible notes	Retained earnings	Total
AASB 101.106(d) AASB 101.51(d)-(e)		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Balance at 1 January 2018 (as previously reported)										
AASB 101.106(b)	Effect of change in accounting policy for *[describe]*										
	Balance at 1 January 2018 - as restated*										
	Profit for the year										
	Other comprehensive income for the year, net of income tax										
	Total comprehensive income for the year										
	Payment of dividends										
	Recognition of share-based payments										
	Balance at 31 December 2018										
AASB 101.106(d)	Profit for the year										
AASB 101.106(d)	Other comprehensive income for the year, net of income tax										
AASB 101.106(a)	Total comprehensive income for the year										
AASB 101.106.(d)	Payment of dividends										
	Recognition of share-based payments										
	Issue of ordinary shares under employee share option plan										
	Issue of ordinary shares for consulting services performed										
	Issue of convertible non-participating preference shares										
	Issue of convertible notes										
	Share issue costs										
	Buy-back of ordinary shares										
	Share buy-back costs										
	Transfer to retained earnings										
	Income tax relating to transactions with owners										
	Other *[describe]*										
	Balance at 31 December 2019										

Additional sources: AASB 101.10(c), 10(ea), 51(b), 51(c), 106, 106A

* The comparative information has been restated as a result of the initial application of AASB 16 *Leases* as discussed in note 2.

For guidance on the presentation of the statement of changes in equity, see section 6.3.4 of the *Australian financial reporting guide*, available at www.deloitte.com/au/models

Statement of cash flows

For the year ended 31 December 2019

(Alternative 1: Direct method of reporting cash flows from operating activities}

Source		Notes	Year ended 31/12/2019	Year ended 31/12/2018
AASB 101.51(d), (e)			$'000	$'000
AASB 107.10	**Cash flows from operating activities**			
AASB 107.18(a)	Receipts from customers			
	Payments to suppliers and employees			
	Cash generated from operations			
AASB 107.31	Interest paid			
AASB 107.35	Income taxes paid to head entity for tax funding agreement			
	Net cash from/(used in) operating activities			
AASB 107.10	**Cash flows from investing activities**			
AASB 107.31	Interest received			
AASB 107.31	Dividends received from associates and joint ventures			
	Dividends received from equity instruments designated at FVTOCI			
	Proceeds on disposal of equity instruments held at FCTOCI			
	Amounts advanced to related parties			
	Repayments by related parties			
	Purchases of property, plant and equipment			
	Proceeds on disposal of property, plant and equipment			
	Payments for investment property			
	Proceeds from disposal of investment property			
	Payments for intangible assets			
	Acquisition of investment in associate			
	Net cash inflow on disposal of associate			
AASB 107.39	Acquisition of businesses	28		
AASB 107.39	Disposal of businesses	29		
	Net cash (used in)/from investing activities			

Source		Notes	Year ended 31/12/2019	Year ended 31/12/2018
AASB 101.51(d), (e)			$'000	$'000
AASB 107.10	**Cash flows from financing activities**			
AASB 107.31	Dividends paid to owners of the Company			
AASB 107.17(d)	Repayment of loans and borrowings			
AASB 107.17(c)	Proceeds from loans and borrowings			
AASB 107.21	Transaction costs related to loans and borrowings			
AASB 107.17(e)	Repayment of lease liabilities			
AASV 107.17(a)	Proceeds on issue of shares			
AASB 107.17(b)	Payment for buy-back of shares			
	Payment for share buy-back costs			
AASB 107.17(c)	Proceeds from issue of redeemable preference shares			
AASB 107.17(c)	Proceeds from issue of perpetual notes			
	Payment for debt issue costs			
AASB 107.17(c)	Proceeds from government loans			
AASB 107.31	Dividends paid on redeemable cumulative preference shares			
	Net cash (used in)/from financing activities			
	Net increase in cash and cash equivalents			
	Cash and cash equivalents at the beginning of the year			
AASB 107.28	Effects of exchange rate changes			
	Cash and cash equivalents at the end of the year	30		

The above illustrates the direct method of reporting cash flows from operating activities.

Additional sources: AASB 101.10(d), 10(ea), 51(b), 51(c), 113

For guidance on the presentation of the statement of cash flows, see section 6.3.5 of the *Australian financial reporting guide*, available at www.deloitte.com/au/models

Statement of cash flows

For the year ended 31 December 2019

(Alternative 1: Indirect method of reporting cash flows from operating activities}

Source		Notes	Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000 (Restated)*
AASB 101.51(d), (e) AASB 108.22 AASB 107.10	**Cash flows from operating activities**			
AASB 107.18(b)	***Profit for the year***			
	Adjustments for: - Share of profits of associates and joint ventures - Finance income - Other gains and losses - Finance costs - Income tax expense - Gain on disposal of discontinued operations - Depreciation of property, plant and equipment - Impairment losses on property, plant and equipment - Depreciation of right-of-use assets - Impairment losses, net of reversals, on financial assets - Amortisation of intangible assets - Impairment of goodwill - Share-based payment expense - Fair value gain/loss on investment property - Gain on disposal of property, plant and equipment - Other *[describe]*			
	Movements in working capital - (Increase)/decrease in inventories - (Increase)/decrease in trade and other receivables - (Increase)/decrease in other assets - Increase/(decrease) in trade and other payables - Increase/(decrease) in provisions - Increase/(decrease) in other liabilities			
	Cash from/(used in) operations			
AASB 107.31	Interest paid			
AASB 107.35	Income taxes paid to head-entity for tax funding agreement			
	Net cash from/(used in) operating activities			

Source		Notes	Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000 (Restated)*
AASB 101.51(d), (e) AASB 108.22				
AASB 107.10	**Cash flows from investing activities**			
AASB 107.31	Interest received			
AASB 107.31	Dividends received from associates and joint ventures			
	Dividends received from equity instruments designated at FVTOCI			
	Proceeds on disposal of equity instruments held on FCTOCI			
	Amounts advanced to related parties			
	Repayments by related parties			
	Purchases of property, plant and equipment			
	Proceeds on disposal of property, plant and equipment			
	Payments for investment property			
	Proceeds from disposal of investment property			
	Payments for intangible assets			
	Acquisition of investment in associate			
	Net cash inflow on disposal of associate			
AASB 107.39	Acquisition of businesses	28		
AASB 107.39	Disposal of businesses	29		
	Net cash (used in)/from investing activities			
AASB 107.10	**Cash flows from financing activities**			
AASB 107.31	Dividends paid to owners of the Company			
AASB 107.17(d)	Repayment of loans and borrowings			
AASB 107.17(c)	Proceeds from loans and borrowings			
AASB 107.21	Transaction costs related to loans and borrowings			
AASB 107.17(e)	Repayment of lease liabilities			
AASV 107.17(a)	Proceeds on issue of shares			
AASB 107.17(b)	Payment for buy-back of shares			
	Payment for share buy-back costs			
AASB 107.17(c)	Proceeds from issue of redeemable preference shares			
AASB 107.17(c)	Proceeds from issue of perpetual notes			
	Payment for debt issue costs			
AASB 107.17(c)	Proceeds from government loans			
AASB 107.31	Dividends paid on redeemable cumulative preference shares			
	Net cash (used in)/from financing activities			

Source		Notes	Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000 (Restated)*
AASB 101.51(d), (e) AASB 108.22				
	Net increase in cash and cash equivalents			
	Cash and cash equivalents at the beginning of the year			
AASB 107.28	Effect of foreign exchange rate changes			
	Cash and cash equivalents at the end of the year	30		

Additional sources: AASB 101.10(d), 10(ea), 51(b), 51(c), 113

* The comparative information has been restated as a result of the initial application AASB 16 *Leases* as discussed in note 2.

For guidance on the presentation of the statement of cash flows, see section 6.3.5 of the *Australian financial reporting guide*, available at www.deloitte.com/au/models

Notes to the financial statements

Source

1. General information

Information about the entity

AASB 101.138(a) SPFS Holdings (Australia) Pty Limited (the Company) is a proprietary company incorporated in Australia. The parent entity of SPFS Holdings (Australia) Pty Limited is Parent Holdings (Australia) Limited. Its ultimate parent entity is Ultimate Parent Limited. The addresses of its registered office and principal place of business are as follows:

AASB 101.138(a)

Registered office	***Principal place of business***
10th Floor	1st Floor
ALD Centre	167 Admin Ave
255 Deloitte Street	SYDNEY NSW 2000
SYDNEY NSW 2000	Tel: (02) 9332 5000
Tel: (03) 9332 7000	

AASB 101.138(a) Disclosures in relation to the domicile and legal form of the entity, the country of incorporation and the address of the registered office (or principal place of business, if different from the registered office) only need be made in the financial report where such information is not disclosed elsewhere in information published with the financial report.

AASB 1054.8(b) For the purposes of preparing the financial statements, the Company is a for-profit entity.

AASB 101.138(b) The entity's principal activities are *[describe]*.

The following sentence is suggested in the year of incorporation:

'The company was incorporated on [date] and accordingly only current year figures covering the period from incorporation are shown.'

Financial reporting framework

AASB 1054.8, 9
APES 205 The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the *Corporations Act 2001*.

AASB 1054.8(a)
APES 205 The financial statements have been prepared in accordance with the *Corporations Act 2001*, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and AASB 1054 *Australian Additional Disclosures*.

Or

AASB 1054.7, 8
APES 205 The financial statements have been prepared in accordance with the *Corporations Act 2001*, and the basis of accounting and disclosure requirements specified by all Australian Accounting Standards and Interpretations, except the disclosure requirements of the pronouncements listed below:

[specify the Accounting Standards and/or Interpretations not complied with]

Source

1. General information (continued)

Financial reporting framework (continued)

Accounting Standards and Interpretations should not be listed where:

- The Accounting Standard or Interpretation is not applicable to the company, for example, AASB 10 *Consolidated Financial Statements* is not applicable where the company has no subsidiaries, or
- The disclosure requirements of the Accounting Standard or Interpretation have been complied with in order to meet the information needs of the special purpose users.

Presentation of consolidated financial statements

APES 205

Where the company has subsidiaries and Accounting Standard AASB 10 *Consolidated Financial Statements* has not been adopted in the preparation of the special purpose financial statements, the financial report should specifically indicate that AASB 10 has not been adopted.

Information about special purpose financial statements of not-for-profit private sector entities

AASB 1054.9A

A not-for-profit private sector entity that prepares special purpose financial statements shall:

- Disclose the basis on which the decision to prepare special purpose financial statements was made
- Where the entity has interests in other entities – disclose either:
  - Whether or not its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in a manner consistent with the requirements set out in AASB 10 *Consolidated Financial Statements* or AASB *128 Investments in Associates and Joint Ventures*, as appropriate. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those requirements, it shall disclose that fact, and the reasons why, or
  - That the entity has not determined whether its interests in other entities give rise to interests in subsidiaries, associates or joint ventures, provided it is not required by legislation to make such an assessment for the purpose of assessing its financial reporting requirements and has not made such an assessment
- For each material accounting policy applied and disclosed in the financial statements that does not comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128), disclose an indication of how it does not comply; or if such an assessment has not been made, disclose that fact
- Disclose whether or not the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128) or that such an assessment has not been made.

Note: The above disclosures mandatorily apply only in special purpose financial statements of not-for-profit private sector entities, and only for annual reporting periods ending on or after 30 June 2020. These disclosures have not been illustrated in these financial statements, but may be relevant in other special purpose financial statements.

Compliance with International Financial Reporting Standards ('IFRS')

AASB 101.16

Under the reporting entity concept, an entity preparing special purpose financial statements is not required to comply with the disclosure requirements of all Accounting Standards and Interpretations. Accordingly, special purpose financial statements cannot be described as complying with IFRS as they do not comply with all requirements of IFRS.

Source	
	1. General information (continued)
	Presentation currency and rounding
AASB 101.51(d)	These financial statements are presented in Australian dollars ($).
ASIC-CI 2016/191, AASB 101.51(e)	The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.
ASIC-CI 2016/191	If the company is of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and consequently the amounts in the directors' report and the financial report are rounded, that fact must be disclosed in the report. Where the conditions of the Corporations Instrument are met, entities may round to the nearest thousand dollars, nearest hundred thousand dollars, or to the nearest million dollars.

Source

2. Adoption of new and revised Accounting Standards

AASB 108.28(a)-(d)

Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current year

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

For the latest Standards and amendments thereof and Interpretations effective for the current year, see section 8.2 of *Australian financial reporting guide*, and the example disclosures included in Note 2 of the Illustrative disclosures section of the Guide. The guide is available at www.deloitte.com/au/models

Changes in accounting policies on initial application of Accounting Standards

AASB 108.28

When initial application of an Accounting Standard has an effect on the current period or any prior period, or would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- The title of the Accounting Standard
- When applicable, that the change in accounting policy is made in accordance with its transitional provisions
- The nature of the change in accounting policy
- When applicable, a description of the transitional provisions
- When applicable, the transitional provisions that might have an effect on future periods
- For the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
  - For each financial statement line item affected
  - If AASB 133 *Earnings per Share* applies to the entity, for basic and diluted earnings per share
- The amount of the adjustment relating to periods before those presented, to the extent practicable
- If retrospective application required by AASB 108 *Accounting policies, Changes in Accounting Estimates and Errors* is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial reports of subsequent periods need not repeat these disclosures.

The above information would usually be disclosed in the accounting policy note of the relevant item and the relevant note for the item, or in a change in accounting policy note.

Early adoption of Accounting Standards

The following disclosure should be considered where an Accounting Standard has been adopted early:

'The directors have elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 10XX *[title]* for this financial year, even though the Standard is not required to be applied until annual reporting periods beginning on or after [date].'

In accordance with s.334(5) of the *Corporations Act 2001*, an election to adopt an Accounting Standard early must be made in writing by directors.

Source

2. Adoption of new and revised Accounting Standards (continued)

Voluntary changes in accounting policies

AASB 108.29

When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- The nature of the change in accounting policy
- The reasons why applying the new accounting policy provides reliable and more relevant information
- For the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
  - For each financial statement line item affected
  - If AASB 133 *Earnings per Share* applies to the entity, for basic and diluted earnings per share
- The amount of the adjustment relating to periods before those presented, to the extent practicable
- If retrospective application of the accounting policy is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

AASB 108.20

Financial reports of subsequent periods need not repeat these disclosures. The early application of an Accounting Standard is not a voluntary change in accounting policy.

Standards and Interpretations in issue not yet effective

AASB 108.30, 31

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

For the latest Standards and amendments thereof and Interpretations in issue but not yet effective, see section 8.5 of *Australian financial reporting guide*, and the example disclosures included in Note 2 of the Illustrative disclosures section of the Guide. The Guide is available at www.deloitte.com/au/models

AASB 108.30

When an entity has not applied a new Accounting Standard that has been issued but is not yet effective, the entity shall disclose:

- This fact
- Known or reasonably estimable information relevant to assessing the possible impact that application of the new Accounting Standard will have on the entity's financial report in the period of initial application.

AASB 108.31

In complying with the requirements above, an entity considers disclosing:

- The title of the new Accounting Standard
- The nature of the impending change or changes in accounting policy
- The date by which application of the Accounting Standard is required
- The date as at which it plans to apply the Accounting Standard initially
- Either:
  - A discussion of the impact that initial application of the Accounting Standard is expected to have on the entity's financial report, or
  - If that impact is not known or reasonably estimable, a statement to that effect.

Source

AASB 101.112(a), 117, 119-121

3. Significant accounting policies

The following are examples of the types of accounting policies that might be disclosed in this entity's financial statements. Entities are required to disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements, and the other accounting policies used that are relevant to an understanding of the financial statements. An accounting policy may be significant because of the nature of the entity's operations even if amounts for the current and prior periods are not material.

In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Standards and Interpretations.

Each entity considers the nature of its operations and the policies that users of its financial statements would expect to be disclosed for that type of entity. It is also appropriate to disclose each significant accounting policy that is not specifically required by Accounting Standards, but that is selected and applied in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

For completeness, in these model financial statements accounting policies have been provided for some immaterial items, although this is not required under Accounting Standards.

Disclosures about adopting AASB 16 *Leases*

31 December 2019 is the first annual reporting period that AASB 16 *Leases* is mandatorily effective. The disclosure requirements of AASB 16 are not specifically required for special purpose financial statements.

However, AASB 101.112 requires the notes of the financial statements to provide additional information that is not presented elsewhere in the statements but is relevant to an understanding of any of them. Judgement will be required to determine the appropriate level of disclosure necessary to provide users with an understanding of the financial statements in general which may include an understanding of leases entered into by an entity/group. To fulfil the requirements of AASB 101.112 the disclosures required by AASB 16 might be referred to in considering whether any more specific disclosures should be provided.

This principle applies to all items of the financial statements and not only to leases and the adoption of new and revised financial reporting pronouncements.

Source

3. Significant accounting policies (continued)

Basis of preparation

AASB 101.17(b), 112(a), 117(a)

The financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 *Inventories* or value in use in AASB 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

AASB 101.17(b), 112(a), 117(b)

The principal accounting policies are set out below.

Going concern basis

AASB 101.25

Where the financial report is prepared on a going concern basis, but material uncertainties exist in relation to events or conditions which cast doubt on the entity's ability to continue as a going concern, those uncertainties shall be disclosed. The events or conditions requiring disclosure may arise after the reporting date.

AASB 101.25

Where the going concern basis has not been used, this shall be disclosed together with a statement of the reasons for not applying this basis and the basis on which the financial report has been prepared. An entity shall not prepare its financial report on a going concern basis if management determines after the reporting date either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

Source	3. Significant accounting policies (continued)
	Example accounting policies
AASB 101.117	AASB 101 *Presentation of Financial Statements* requires an entity to disclose its significant accounting policies comprising: • The measurement basis (or bases) used in preparing the financial statements • The other accounting policies used that are relevant to an understanding of the financial statements.
AASB 101.119	In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Australian Accounting Standards. For example, an entity may elect:
AASB 139.98	• Not to adjust the initial measurement of the cost of a non-financial asset or a non-financial liability arising from a hedged forecast transaction by the amount deferred in equity
AASB 139.38	• To recognise investments on settlement date or on trade date
AASB 139.92	• In respect of fair value hedges, to amortise the adjustment to a hedged item measured at amortised cost to profit or loss from the date the adjustment is made or to begin the amortisation no later than when hedge accounting is discontinued
AASB 112.78	• To present exchange differences on deferred foreign tax liabilities or assets recognised in the statement of profit or loss and other comprehensive income as deferred tax expense (income)
AASB 138.74, 75	• To measure intangible assets after initial recognition on either the cost or revaluation (fair value) basis, where conditions for doing so are met
AASB 116.30, 31	• To measure investment property under either the cost model or the fair value model
AASB 140.6	• To classify and account for property interests held under operating leases as investment properties on a property-by-property basis
AASB 120.23	• To account for government grants in the form of a non-monetary asset at a nominal amount
AASB 120.24	• To present government grants related to assets as a deduction from the carrying amount of the asset
AASB 120.29	• To deduct government grants received and recognised in the statement of profit or loss and other comprehensive income in reporting the related expense, or
AASB 107.18	• To prepare the statement of cash flows using either the direct or the indirect method.
	Entities may also need to disclose the manner in which they account for:
	• Business combinations involving entities under common control
AASB 141	• Biological assets or agricultural produce
AASB 6	• Exploration and evaluation activities.

Source

3. Significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income* Taxes and AASB 119 *Employee Benefits* respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 *Share-based Payment* at the acquisition date
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 9 *Financial Instruments* or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Source

3. Significant accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Company's policy for goodwill arising on the acquisition of an associate or joint venture is described at below.

Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Source

3. Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

The requirements of AASB 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 9.

The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

In addition, the Company accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Company continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Company reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Company transacts with an associate or a joint venture of the Company, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Company's financial statements only to the extent of interests in the associate or joint venture that are not related to the Company.

Source

3. Significant accounting policies (continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the company undertakes its activities under joint operations, the Company as a joint operator recognises in relation to its interest in a joint operation:

- Its 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
- Its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the Accounting Standards applicable to the particular assets, liabilities, revenues and expenses.

When the Company transacts with a joint operation in which the Company is a joint operator (such as a sale or contribution of assets), the Company is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Company's financial statements only to the extent of other parties' interests in the joint operation.

When the Company transacts with a joint operation in which the Company is a joint operator (such as a purchase of assets), the Company does not recognise its share of the gains and losses until it resells those assets to a third party.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Company discontinues the use of the equity method at the time of disposal when the disposal results in the Company losing significant influence over the associate or joint venture.

After the disposal takes place, the Company accounts for any retained interest in the associate or joint venture in accordance with AASB 139 unless the retained interest continues to be an associate or a joint venture, in which case the Company uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Source

3. Significant accounting policies (continued)

Revenue recognition

The Company recognises revenue from the following major sources:

- Sale of leisure goods and electronic equipment, including the related loyalty programme 'Maxi-Points Scheme', as disclosed in note 60, maintenance included in the price of products sold, as well as warranties granted under local legislation as disclosed in note 39;
- Installation of computer software for specialised business applications; and
- Construction of residential properties.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

The revenue accounting policies that follow are generic and must be adapted to suit the specific circumstances of each entity. The entity should disclose the accounting policies adopted for each significant category of revenue recognised in the period including the methods adopted to determine the stage of completion of transactions involving the rendering of services.

Sale of leisure goods

The Company sells sport shoes, sport equipment and outdoor play equipment both to the wholesale market and directly to customers through its own retail outlets. Sales-related warranties associated with leisure goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Company accounts for warranties in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

For sales of leisure goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods . A receivable is recognised by the Company when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Under the Company's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Company has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Source

3. Significant accounting policies (continued)

Revenue recognition (continued)

Sale of electronic equipment

The Company sells electronic equipment to the wholesale market and directly to customers both through its own retail outlets and through internet sales.

For sales of electronic equipment to the wholesale market and through retail outlets and internet sales, revenue is recognised by the Company at a point in time in line with the policy outlined above for the sale of leisure goods. For sales to retail customers (from both retail outlet and internet sales) there exists the same 30-day right of return and accordingly a refund liability and a right to returned goods asset are recognised in relation to electronic equipment expected to be returned.

For internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online the transaction price received by the Company is recognised as a contract liability until the goods have been delivered to the customer.

'Maxi-Points' customer loyalty programme

The Company operates a 'Maxi-Points' loyalty programme through which retail customers accumulate points on purchases of leisure goods and electronic equipment that entitle them to discounts on future purchases. These points provide a discount to customers that they would not receive without purchasing the leisure goods or electronic equipment (i.e. a material right). The promise to provide the discount to the customer is therefore a separate performance obligation.

The transaction price is allocated between the product, the maintenance services (if the product is electronic equipment, as described below) and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Company's historical experience. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers.

Maintenance relating to electronic equipment

Included in the transaction price for the sale of electronic equipment is an after-sales service. This service relates to maintenance work that may be required to be carried out on the equipment for a three-year period after sale. This period can then be extended if the customer requires additional years of maintenance services. The renewal of services after the three-year period will be for the price at which these are sold by the Company to all of its customers as at the date of renewal regardless of the existence of a renewal option. Consequently, the option to extend the renewal period does not provide customers with any advantage when they enter into the initial contract and therefore no revenue has been deferred relating to this renewal option.

The maintenance service is considered to be a distinct service as it is both regularly supplied by the Company to other customers on a stand-alone basis and is available for customers from other providers in the market. A portion of the transaction price is therefore allocated to the maintenance services based on the stand-alone selling price of those services. Discounts are not considered as they are only given in rare circumstances and are never material.

Source

3. Significant accounting policies (continued)

Maintenance relating to electronic equipment (continued)

Revenue relating to the maintenance services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service (i.e. three years when the services are purchased together with the underlying equipment).

Installation of software services

The Company provides a service of installation of various software products for specialised business operations. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these installation services based on the stage of completion of the contract. The directors have assessed that the stage of completion determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under AASB 15. Payment for installation of software services is not due from the customer until the installation services are complete and therefore a contract asset is recognised over the period in which the installation services are performed representing the Company's right to consideration for the services performed to date.

Construction of residential properties

The Company constructs and sells residential properties under long-term contracts with customers. Such contracts are entered into before construction of the residential properties begins. Under the terms of the contracts, the Company is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of residential properties is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under AASB 15.

The Company becomes entitled to invoice customers for construction of residential properties based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The Company will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Company recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably). Dividends are included in the 'investment income' line item in profit or loss.

Source

3. Significant accounting policies (continued)

Leases

The Company as lessee

AASB 16.15
AASB 16.60

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

Source

3. Significant accounting policies (continued)

Leases (continued)

The Company as lessee (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient . For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties. The Company also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment it manufactured.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Source

3. Significant accounting policies (continued)

Leases (continued)

The Company as lessor (continued)

When a contract includes lease and non-lease components, the Company applies AASB 15 *Revenue from Contracts from Customers* to allocate the consideration under the contract to each component.

Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 3.25 below for hedging accounting policies)
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these financial statements, the assets and liabilities of the Company's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the Company are reclassified to profit or loss.

For partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Source

3. Significant accounting policies (continued)

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government assistance which does not have conditions attached specifically relating to the operating activities of the Company is recognised in accordance with the accounting policies above.

Employee benefits

Short-term and long-term employee benefits

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Source

3. Significant accounting policies (continued)

Employee benefits (continued)

Retirement benefits costs (continued)

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss in the line item *['employee benefits expense'/'other (describe)']*. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Termination benefit

A liability for a termination benefit is recognised at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognises any related restructuring costs.

Contributions from employees or third parties to defined benefit plan

Discretionary contributions made by employees or third parties reduce service costs upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Company reduces service costs by attributing the contributions to periods of service using the attribution method required by AASB 119.70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Company [reduces service cost in the period in which the related services is rendered/reduces service cost by attributing contributions to the employees' periods of service in accordance with AASB 119.70].

Source

3. Significant accounting policies (continued)

Share-based payment

Share-based payment transactions of the Company

Share-based payments made to employees and others, that grant rights over the shares of the parent entity, Parent Holdings (Australia) Limited, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by Parent Holdings (Australia) Limited. As Parent Holdings (Australia) Limited does not require reimbursement for the cost of the grant, amounts relating to the grant are deemed a contribution by Parent Holdings (Australia) Limited in its capacity as owner.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Share-based payment transactions of the acquiree in a business combination

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Company's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with AASB 2 *Share-based Payment* ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquiree awards expire as a consequence of a business combination and the Company replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with AASB 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Company for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date.

Source

3. Significant accounting policies (continued)

Taxation

Tax consolidation

The disclosures below assume the parent entity is the head entity in the tax consolidated group and that a tax funding arrangement exists and mirrors the tax allocation method used under Interpretation 1052. Where this is not the case, the disclosures should be amended as relevant to the entity's specific circumstances.

Int 1052.16

The Company and its wholly-owned Australian resident entities are members of a tax-consolidated group under Australian tax law. The Company is the head entity within the tax-consolidated group. In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the Company and the entities in the tax consolidated group are determined using a 'separate taxpayer within group'* approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred, and does not tax effect transactions that have no tax consequences to the group. The same basis is used for tax allocation within the tax-consolidated group.

** Where other methods are used ('stand alone taxpayer' or 'group allocation') this wording should be changed, and the actual basis of allocation outlined in the next sentence should be updated to reflect the entity's circumstances.*

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the [statement of profit or loss and other comprehensive income/statement of profit or loss] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Company or that have a different tax consequence at the level of the entity.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Company or that have a different tax consequence at the level of the entity.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Source

3. Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Company's investment property portfolios and concluded that none of the Company's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to AASB 112 is not rebutted.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Additional information on accounting policies shall be included where the entity has other material tax balances not covered by the above analysis, such as in relation to tax deductible share-based payment arrangements.

Source

3. Significant accounting policies (continued)

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate as illustrated in note 4.2.4. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Source

3. Significant accounting policies (continued)

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Company's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

When classification is difficult, an entity shall disclose the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Source

3. Significant accounting policies (continued)

Intangible assets (continued)

Where entities have intangible assets that have been assessed as having an indefinite useful life, an appropriate accounting policy shall be disclosed, for example:

Brand names

Brand names recognised by the company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 3.21.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see 3.18 above).

Source

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets other than goodwill (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see 3.18 above).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Company.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 *Revenue*.

Source

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- The Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets (continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "investment income" line item.

Debt instruments classified as at FVTOCI

The redeemable notes held by the Company are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these redeemable notes as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these redeemable notes are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets (continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with AASB 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment income' line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts. .

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Significant increase in credit risk (continued)

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event (see (ii) above);
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred *to [share premium/other equity (describe)]*. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to *[retained profits/other equity (describe)]*. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Source

3. Significant accounting policies (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and AASB 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 5) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Source

3. Significant accounting policies (continued)

Financial liabilities and equity (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with AASB 9 (see financial assets above)
- The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Source

3. Significant accounting policies (continued)

Financial liabilities and equity (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of AASB 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of AASB 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Source

3. Significant accounting policies (continued)

Derivative financial instruments (continued)

Embedded derivatives (continued)

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Hedge accounting

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Company designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Company applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Company expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Movements in the hedging reserve in equity are detailed in note 25.

Source

3. Significant accounting policies (continued)

Derivative financial instruments (continued)

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Source

3. Significant accounting policies (continued)

Derivative financial instruments (continued)

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Comparative amounts

AASB 101.41, 42

When an entity changes the presentation or classification of items in its financial statements comparative amounts shall be reclassified unless the reclassification is impracticable.

When comparative amounts are reclassified, an entity shall disclose:

- The nature of the reclassification
- The amount of each item or class of items that is reclassified
- The reason for the reclassification.

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- The reason for not reclassifying the amounts
- The nature of the adjustments that would have been made if the amounts had been reclassified.

Source

3. Significant accounting policies (continued)

Example accounting policies for mining entities

The following example accounting policies may be relevant for entities operating in the resources industry. Entities will need to edit and adapt the accounting policies below to reflect their entity's policies and circumstances:

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of [exploration, development, production, transportation or storage] activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of [removing facilities, abandoning sites/wells and restoring the affected areas].

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, [based on current legal and other requirements and technology]. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to [exploration, development and milling/production facilities] is capitalised into the cost of the related asset and [depreciated/amortised] on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

Exploration and evaluation

The following example accounting policy assumes that an entity has adopted an 'area of interest' approach towards the capitalisation of exploration and evaluation, as is suggested by paragraph Aus7.2 of AASB 6 *Exploration for and Evaluation of Mineral Resources*. Where other approaches are adopted, the following wording will need to be edited as appropriate:

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- The rights to tenure of the area of interest are current
- At least one of the following conditions is also met:
  - The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale, or
  - Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Source

3. Significant accounting policies (continued)

Example accounting policies for mining entities (continued)

Exploration and evaluation (continued)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to [development].

Development

Development expenditure is recognised at cost less accumulated [amortisation/depletion] and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs [together with any forecast future capital expenditure necessary to develop proved and probable reserves] are amortised over the estimated economic life of the [mine/field] on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

Source

4. Critical accounting judgments and key sources of estimation uncertainty

The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the performance and financial position of the entity.

Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant asset and liability notes, or as part of the relevant accounting policy disclosures.

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

AASB 101.122

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Expenditure required in the year for rectification work carried out on goods supplied to one of the Group's major customers. These goods were delivered to the customer in the months of *[month]* to *[month]* 2019, and shortly thereafter the defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the Group until 2022. In the light of the problems identified, management was required to consider whether it was appropriate to recognise the revenue from these transactions of $___ in the current year, in line with the Group's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to defer recognition until the rectification work was complete.

In making their judgement, the directors considered the detailed criteria for the recognition of revenue set out in AASB 15 *Revenue from Contracts with Customers* and, in particular, whether the Company had transferred control of the goods to the customer. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that control has been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate provision for the rectification costs.

Source

4. Critical accounting judgments and key sources of estimation uncertainty

Critical judgements in applying accounting policies (continued)

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant increase in credit risk

As explained the accounting policies, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. AASB 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Company's investment property portfolios and concluded that the Company's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Company's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

Discount rate used to determine the carrying amount of the Company's defined benefit obligation

The Company's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

Source

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

AASB 101.125, 129

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below or elsewhere in the financial statements:

Recoverability of internally generated intangible asset

During the year, the directors reconsidered the recoverability of the Company's internally generated intangible asset arising from its e-business development, which is included in the statement of financial position at 31 December 2019 with a carrying amount of $ ___ (2018: $ ___).

The project continues to progress in a satisfactory manner, and customer reaction has reconfirmed the directors' previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the directors to reconsider their assumptions and anticipated margins on these products. Detailed sensitivity analysis has been carried out and the directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2019 was $ ___ (2018: $ ___) after an impairment loss of $ ___ was recognised during 2019 (2018: nil).

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the ECL rates on trade receivables between 61 and 90 days past due had been ___ % higher (lower) as of 31 December 2019, the loss allowance on trade receivables would have been $ ___ (2018: $ ___) higher (lower).

If the ECL rates on trade receivables between 31 and 60 days past due had been ___ % higher (lower) as of 31 December 2019, the loss allowance on trade receivables would have been $ ___ (2018: $ ___) higher (lower).

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Source

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Calculation of loss allowance (continued)

If the ECL rates on trade receivables between 61 and 90 days past due had been ___ % higher (lower) as of 31 December 2019, the loss allowance on trade receivables would have been $ ___ (2018: $ ___) higher (lower).

If the ECL rates on trade receivables between 31 and 60 days past due had been ___ % higher (lower) as of 31 December 2019, the loss allowance on trade receivables would have been $ ___ (2018: $ ___) higher (lower).

Useful lives of property, plant and equipment

As described in the accounting policies, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase the depreciation expense in the current financial year and for the next 3 years, by the following amounts:

	$'000
2020	
2021	
2022	
2023	

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

AASB 108.36 The effect of a change in an accounting estimate, shall be recognised prospectively by including it in profit or loss in:

- The period of the change, if the change affects that period only, or
- The period of the change and future periods, if the change affects both.

AASB 108.37 To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

AASB 108.39 An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

AASB 108.40 If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

Source	
	4. Critical accounting judgments and key sources of estimation uncertainty (continued)
	Key sources of estimation uncertainty (continued)
AASB 101.131	When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the reporting date, the entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

Source

5. Other gains and losses

		Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000
	Continuing operations		
AASB 101.98(c)	Gain on disposal of property, plant and equipment		
AASB 101.98(d)	Gain/(loss) on disposal of investments measured at fair value through profit or loss		
	Reclassification of net gain/(loss) on debt investments classified as at FVTOCI from equity to profit or loss upon disposal		
	Cumulative loss reclassified from equity on impairment of available-for-sale investments		
	Government grants received for staff re-training		
	Net foreign exchange gains/(losses)		
	Gain arising on effective settlement of legal claim against the distribution business (note 27)		
	Net gain/(loss) arising on financial assets designated as at FVTPL		
	Net (loss) arising on financial liabilities designated as at FVTPL (i)		
	Net gain arising on financial assets mandatorily measured as at FVTPL (ii)		
	Net (loss) arising on financial liabilities mandatorily measured at FVTPL (iii)		
	Net gain/(loss) arising on derecognition of financial liabilities measured at amortised cost		
	Net gain/(loss) arising on modification of financial instruments measured at amortised cost that were not derecognised		
	Change in fair value of investment property		
	Hedge ineffectiveness on cash flow hedges		
	Hedge ineffectiveness on net investment hedges		

(i) The net loss on these financial liabilities designated as at FVTPL includes a gain of $ ___ resulting from the decrease in fair value of the liabilities other than the changes in the fair value of the liabilities attributable to the liabilities' credit risk, offset by dividends of $ ___ paid during the year.

(ii) The amount represents a net gain on non-derivative financial assets held for trading and comprises an increase in fair value of $ ___ (2018: $ ___), including interest of $ ___ received during the year (2018: $ ___)

(iii) The amount represents a net loss arising on an interest rate swap that economically hedges the fair value of the redeemable cumulative preference shares, but for which hedge accounting is not applied. The net loss on the interest rate swap comprises an increase in fair value of $ ___ of the swap, including interest of $ ___ paid during the year.

No other gains or losses have been recognised in respect of financial assets and financial liabilities and the loss allowance recognised/reversed in respect of trade receivables (see notes 9 and 10).

Source

AASB 101.77

6. Deferred tax assets

	31/12/2019	31/12/2018
	$'000	$'000
Tax losses – revenue		
Tax losses – capital		
Foreign tax credits		
Temporary differences		
Other		

7. Discontinued operations

Disposal of *[describe]* operations

AASB 101.98(e)

On *{date}*, the Company entered into a sale agreement to dispose of its *[describe]* operations. The proceeds of sale substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale. The disposal of the *[describe]* manufacturing operations is consistent with the Company's long-term policy to focus its activities in *[describe]*. The disposal was completed on *[date]*, on which date control of the *[describe]* manufacturing operations passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in note 28.

Plan to dispose of the *[describe]* business

AASB 101.98(e)

On *[date]*, the directors announced a plan to dispose of the Company's *[describe]* business. The disposal is consistent with the Company's long-term policy to focus its activities in *[describe]*. The Company is actively seeking a buyer for its *[describe]* business and expects to complete the sale by *[date]*. The Company has not recognised any impairment losses in respect of the *[describe]* business, neither when the assets and liabilities of the operation were reclassified as held for sale nor at the end of the reporting period.

Analysis of profit for the year from discontinued operations

AASB 101.97, 98(e)

The combined results of the discontinued operations (i.e. *[describe]* businesses) included in the profit or loss for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	$'000
Profit for the year from discontinued operations		
Revenue		
Other gains		
Expenses		
Profit before tax		
Attributable income tax expense		

Source

7. Discontinued operations (continued)

	Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000
Loss on remeasurement to fair value less costs to sell		
Gain/(loss) on disposal of operation including a cumulative exchange gain of $ ____ reclassified from foreign currency translation reserve to profit and loss		
Attributable income tax expense		
Profit for the year from discontinued operations		

AASB 107.40

Cash flows from discontinued operations

Net cash inflows from operating activities		
Net cash inflows from investing activities		
Net cash outflows from financing activities		
Net cash inflows		

The *[describe]* business has been classified and accounted for at 31 December 2019 as a disposal group held for sale (see note 8).

AASB 101.77

8. Assets classified as held for sale

	31/12/2019 $'000	31/12/2018 $'000
Freehold land held for sale (i)		
Assets related to *[describe]* business (ii)		
Liabilities associated with assets held for sale (ii)		
Amounts recognised directly in equity associated with assets held for sale		

(i) The Company intends to dispose of a parcel of freehold land it no longer utilises in the next 10 months. The property located on the freehold land was previously used in the Company's toy operations and has been fully depreciated. A search is underway for a buyer. No impairment loss was recognised on reclassification of the land as held for sale nor as at 31 December 2019 as the directors of the Company expect that the fair value (estimated based on the recent market prices of similar locations) less costs to dispose is higher than the carrying amount.

(ii) As described in note 7, the Company plans to dispose of its *[describe]* business and anticipates that the disposal will be completed by *[date]*. The Company is currently in negotiation with some potential buyers and the directors of the Company expect that the fair value less costs to dispose of the business will be higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the assets and liabilities as held for sale nor as at 31 December 2019. The major classes of assets and liabilities of the *[describe]* business at the end of the reporting period are as follows:

Source

8. Assets classified as held for sale (continued)

	31/12/2019
	$'000
Goodwill	
Property, plant and equipment	
Inventories	
Trade receivables	
Contract assets	
Cash and bank balances	
Assets of *[describe]* business classified as held for sale	
Trade payables	
Current tax liabilities	
Deferred tax liabilities	
Liabilities of *[describe]* business associated with assets classified as held for sale	
Net assets of *[describe]* business classified as held for sale	

9. Profit for the year from continuing operations

Disclosure of material items of income and expense

AASB 101.97 When items of income and expense are material, their nature and amount shall be disclosed separately.

Disclosure of information about the nature of expenses

AASB 101.104 Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefit expense. An explanation of the amounts that are included in each of the cost of sales, distribution, marketing, administration and other lines on the face of the statement of profit or loss should be given as best practice of the interpretation of AASB 101.104.

Example:

Impairment losses are included in the line item 'Cost of sales' in the statement of profit or loss.

Where this additional information is disclosed in a separate note, the line item should be included in the disclosure.

Profit for the year from continuing operations has been arrived at after charging (crediting):

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	$'000
AASB 101.104 **Depreciation and amortisation expense**		
Depreciation of property, plant and equipment		
Amortisation of intangible assets (included in [cost of sales/depreciation and amortisation expense/administrative expense/other expenses])		
Total depreciation and amortisation expense		

Source

9. Profit for the year from continuing operations (continued)

		Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000
AASB 101.104	**Employee benefits expense**		
	Post-employment benefits		
	- Defined contribution plans		
	- Defined benefit plans		
	Share-based payments		
	- Equity-settled share-based payments		
	- Cash-settled share-based payments		
	Termination benefits		
	Other employee benefits		
	Total employee benefits expense		

Exceptional rectification costs

AASB 101.97 Costs of $ ____ have been recognised during the year in respect of rectification work to be carried out on goods supplied to one of the Company's major customers, which have been included in [cost of sales/cost of inventories and employee benefits expense]. The amount represents the estimated cost of work to be carried out in accordance with an agreed schedule of works during 2019. $ ____ of the provision has been utilised in the current year, with a provision of $ ____ carried forward to meet anticipated expenditure in 2020 and 2021.

Net gains or losses

		Year ended 31/12/2019 $'000	Year ended 31/12/2018 $'000
AASB 101.97	Loss allowance on trade receivables		
AASB 101.97	Loss allowance on other financial assets measured at amortised cost		
AASB 101.97	Loss allowance on debt investments measured at FVTOCI		
AASB 101.97	Loss allowance on amounts due from contract assets		

Source	10. Trade and other receivables	31/12/2019 $'000	31/12/2018 $'000
AASB 101.78(a)	Trade receivables		
	Loss allowance		
AASB 101.78(a)	Deferred sales proceeds		
AASB 101.78(a)	Operating lease receivable		
AASB 101.78(a)	Other receivables		
AASB 101.78(a)	Goods and services tax recoverable		
AASB 101.78(a)	Other *[describe]*		

	11. Other financial assets	31/12/2019 $'000	31/12/2018 $'000
AASB 101.77	**Derivatives designated and effective as hedging instruments carried at fair value**		
	Foreign currency forward contracts		
	Interest rate swaps		
	Other *[describe]*		
AASB 101.77	**Financial assets mandatorily measured at fair value through profit or loss (FVTPL)**		
	Shares		
	Other *[describe]*		
AASB 101.77	**Financial assets designated as at FVTPL**		
	Non-derivative financial assets designated as at FVTPL		
	Other *[describe]*		
AASB 101.77	**Investments in debt instruments classified as at fair value through other comprehensive income (FVTOCI)**		
	Redeemable notes		
	Other *[describe]*		
AASB 101.77	**Investments in equity instruments designated as at FVTOCI**		
	Unquoted shares		
	Other *[describe]*		

Source		31/12/2019 $'000	31/12/2018 $'000
	11. Other financial assets (continued)		
	Financial assets measured at amortised cost		
AASB 101.78(b)	Bills of exchange		
AASB 101.78(b)	Debentures		
AASB 101.78(b)	Loans to related parties		
AASB 101.78(b)	Loans to other entities		
	Current		
	Non-current		

		31/12/2019 $'000	31/12/2018 $'000
	12. Inventories		
AASB 101.78(c)	Raw materials		
AASB 101.78(c)	Work in progress		
AASB 101.78(c)	Finished goods		

		31/12/2019 $'000	31/12/2018 $'000
	13. Property, plant and equipment		
	Carrying amounts		
AASB 101.78(a)	Freehold land		
	- At fair value		
	- Accumulated depreciation and impairment		
AASB 101.78(a)	Buildings		
	- At fair value		
	- Accumulated depreciation and impairment		
AASB 101.78(a)	Plant and equipment		
	- At cost		
	- Accumulated depreciation and impairment		

The following useful lives are used in the calculation of depreciation:

- Buildings 20 – 30 years
- Plant and equipment 5 – 15 years
- Equipment under finance lease 5 years

Source

13. Property, plant and equipment (continued)

Impairment losses recognised in the year

AASB 101.125

During the year, as the result of the unexpected poor performance of the manufacturing plant, the Company carried out a review of the recoverable amount of that manufacturing plant and the related equipment. These assets are used in the Company's electronic equipment reportable segments. The review led to the recognition of an impairment loss of $ ___, which has been recognised in profit or loss. The Company also estimated the fair value less costs of disposal of the manufacturing plant and the related equipment, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use, which amounted to $ ____ as at 31 December 2019. The discount rate used in measuring value in use was ____% per annum. No impairment assessment was performed in 2018 as there was no indication of impairment.

Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to $ ____ (2018: $ ____). These losses are attributable to greater than anticipated wear and tear. These assets have been impaired in full and belonged to the Company's electronic equipment reportable segment.

The impairment losses have been included in the profit or loss in *[describe]* line item.

Fair value measurement of the Company's freehold land and buildings

AASB 101.125, 128

An entity shall disclose information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next annual reporting period. Such disclosures are not required in respect of assets measured at fair value based on recently observed market prices.

Where the fair value of property, plant and equipment measured on the fair value basis is not based on recently observed market prices, the following example wording may be used as a guide:

The fair value of the freehold land was determined *[based on the market comparable approach that reflects recent transaction prices for similar properties/other methods [describe]*. The fair value of the buildings was determined using [the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence/other methods (describe)]. The significant inputs include the estimated construction costs and other ancillary expenditure of approximately $ ____ (2018: approximately $ ____), and a depreciation factor applied to the estimated construction cost of approximately ____% (2018: approximately ____%). A slight increase in the depreciation factor would result in a significant decrease in the fair value of the buildings, and a slight increase in the estimated construction costs would result in a significant increase in the fair value of the buildings, and vice versa.

There has been no change to the valuation technique during the year.

Source		31/12/2019 $'000	31/12/2018 $'000
	14. Right-of-use assets		
	Carrying amounts		
AASB 101.78(a)	Buildings		
	- At cost		
	- Accumulated depreciation and impairment		
AASB 101.78(a)	Plant		
	- At cost		
	- Accumulated depreciation and impairment		
AASB 101.78(a)	Equipment		
	- At cost		
	- Accumulated depreciation and impairment		

The following useful lives are used in the calculation of depreciation:

- Buildings 7 – 10 years
- Plant 5 – 15 years
- Equipment 5 years

	15. Investments in associates and joint ventures	31/12/2019 $'000	31/12/2018 $'000
AASB 101.77	Investments in associates		
AASB 101.77	Investments in joint ventures		

Source

16. Other intangible assets

		31/12/2019	31/12/2018
		$'000	$'000
	Carrying amounts		
AASB 101.77	Capitalised development		
	- At cost		
	- Accumulated amortisation and impairment		
AASB 101.77	Patents		
	- At cost		
	- Accumulated amortisation and impairment		
AASB 101.77	Trademarks		
	- At cost		
	- Accumulated amortisation and impairment		
AASB 101.77	Licences		
	- At cost		
	- Accumulated amortisation and impairment		

The following useful lives are used in the calculation of amortisation.

- Capitalised development 5 years
- Patents 10 – 20 years
- Trademarks 20 years
- Licences 20 years

AASB 101.125, 128

An entity shall disclose information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next annual reporting period. Such disclosures are not required in respect of assets measured at fair value based on recently observed market prices.

Source

AASB 101.77

17. Other assets

		31/12/2019	31/12/2018
		$'000	**$'000**
AASB 101.78(b)	Prepayments		
	Contract assets (i)		
	- Construction contracts		
	- Manufacturing contracts		
	Contract costs		
	- Costs to obtain contracts		
	Other *[describe]*		
	Current		
	Non-current		

AASB 101.112(c)

(i) Amounts relating to contract assets are balances due from customers under construction contracts that arise when the entity receives payments from customers in line with a series of performance related milestones. The entity will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

18. Trade and other payables

		31/12/2019	31/12/2018
		$'000	**$'000**
AASB 101.77	Trade payables		
AASB 101.77	Cash-settled share-based payments		
AASB 101.77	Other payables		
AASB 101.77	Other *[describe]*		

AASB 101.61

For each liability line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the reporting date, and (b) more than twelve months after the reporting date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.

Source

19. Lease liabilities

	31/12/2019	31/12/2018
	$'000	$'000
Secured – at amortised cost		
Current		
Non-current		

AASB 101.9

The disclosures below illustrate some of the disclosures that would be required in an annual reporting period in accordance with AASB 16 *Leases* for an entity that is a reporting entity. Whilst the disclosure requirements of AASB 16 are not mandatory in special purpose financial statements, such disclosures may be relevant when major new standards such as AASB 16 are being applied for the first time. However, the impact of AASB 16 will differ for each entity, and the disclosures included should be considered guidance only.

In terms of AASB 101.9 the objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.

Each entity should develop disclosures that are relevant to their circumstances to ensure the financial statements present fairly the financial performance and position of the entity.

	31/12/2019	31/12/2018
	$'000	$'000
Maturity analysis		
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		
Onwards		
Less: unearned interest		

Source

20. Borrowings

		31/12/2019	31/12/2018
		$'000	$'000
AASB 101.77	**Unsecured – at amortised cost**		
	Bank overdrafts		
	Bills of exchange		
	Loans from:		
	- related parties		
	- other entities		
	- government		
	Convertible notes		
	Perpetual notes		
	Other *[describe]*		

		31/12/2019	31/12/2018
		$'000	$'000
AASB 101.77	**Secured – at amortised cost**		
	Bank overdrafts		
	Bank loans		
	Loans from other entities		
	Transferred receivables		
	Other *[describe]*		
	Current		
	Non-current		

Source	21. Other financial liabilities	31/12/2019 $'000	31/12/2018 $'000
AASB 101.77	Financial guarantee contracts		
AASB 101.77	**Derivatives that are designated and effective as hedging instruments carried at fair value**		
	Foreign currency forward contracts		
	Interest rate swaps		
	Currency swaps		
	Other *[describe]*		
AASB 101.77	**Financial liabilities carried at fair value through profit or loss (FVTPL)**		
	Non-derivative financial liabilities designated as at FVTPL on initial recognition		
	Held for trading derivatives not designated in hedge accounting relationships		
	Held for trading non-derivative financial liabilities		
AASB 101.77	**Other**		
	Contingent consideration		
	Other *[describe]*		
	Current		
	Non-current		

Source

22. Provisions

		31/12/2019	31/12/2018
		$'000	$'000
AASB 101.78(d)	Employee benefits		
AASB 101.78(d)	Other provisions		
	Current		
	Non-current		

23. Other liabilities

		31/12/2019	31/12/2018
		$'000	$'000
AASB 101.77	Contract liabilities (i)		
AASB 101.77	Refund liability		
AASB 101.77	Deferred income – government grants (ii)		
AASB 101.77	Other *[describe]*		
	Current		
	Non-current		

AASB 101.112(c)

(i) Contract liabilities arise from the customer loyalty programme amounts related to construction contracts, and amounts received in advance for the delivery of internet sales

(ii) Deferred income arises as a result of the benefit received from an interest-free government loan received in December 2019. The revenue will be offset against training costs to be incurred in 2020 ($ ____) and 2021 ($ ____).

Source

AASB 101.77

24. Share capital

Notes 24-26 below set out detailed descriptions and reconciliations for each class of share capital and each component of equity, as required by AASB 101.79, AASB 101.106 and AASB 101.106A. AASB 101 permits some flexibility regarding the level of detail presented in the statement of changes in equity and these supporting notes. AASB 101 allows an analysis of other comprehensive income by item for each component of equity to be presented either in the statement of changes in equity or in the notes. For the purposes of the preparation of this model, the Company has elected to present the analysis of other comprehensive income in the notes.

AASB 101 also allows that some of the details regarding items of other comprehensive income (income tax and reclassification adjustments) may be disclosed in the notes rather than in the statement of profit or loss and other comprehensive income. Entities will determine the most appropriate presentation for their circumstances – electing to present much of the detail in the notes (as we have done in these model financial statements) ensures that the primary financial statements are not cluttered by unnecessary detail, but it does result in very detailed supporting notes.

Whichever presentation is selected, entities will need to ensure that the following requirements are met:

- Detailed reconciliations are required for each class of share capital (in the statement of financial position or the statement of changes in equity or in the notes)
- Detailed reconciliations are required for each component of equity – separately disclosing the impact on each such component of (i) profit or loss, (ii) each component of other comprehensive income, and (iii) transactions with owners in their capacity as owners (in the statement of changes in equity or in the notes)
- The amount of income tax relating to each item of other comprehensive income should be disclosed (in the statement of profit or loss and other comprehensive income or in the notes)
- Reclassification adjustments should be presented separately from the related component of other comprehensive income (in the statement of profit or loss and other comprehensive income or in the notes).

AASB 101.79(a)

An entity that elects to present a statement of changes in equity showing reconciliations between the carrying amount of each class of contributed equity at the beginning and the end of the period on the face of the statement need not repeat these disclosures in the notes to the financial statements. However, such entities shall disclose, either on the face of the statement of financial position or in the notes to the financial statements, for each class of share capital:

- The number of shares authorised
- The number of shares issued and fully paid, and issued but not fully paid
- Par value per share, or that the shares have no par value
- A reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital
- Shares in the entity held by the entity or by its subsidiaries or associates
- Shares reserved for issue under options and contracts for sale of shares, including the terms and amounts.

Source

24. Share capital (continued)

		31/12/2019	31/12/2018
		$'000	$'000
AASB 101.79(a)	_____ fully paid ordinary shares (31 December 2018: _____)		

AASB 101.79(a)(i),(iii) The company does not have a limited amount of authorised capital and issued shares do not have a par value.

AASB 101.79(a)(i) An entity shall disclose either on the face of the statement of financial position or in the notes to the financial statements, for each class of share capital, the number of shares authorised, if any.

AASB 101.79(a) **Fully paid ordinary shares**

	Number of shares	Share capital
	'000	$'000
Balance at 1 January 2018		
Movements *[describe]*		
Balance at 31 December 2018		
Share buy-back		
Share buy-back costs		
Income tax relating to share buy-back costs		
Balance at 31 December 2019		

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Redeemable cumulative preference shares
The redeemable cumulative preference shares issued by the Company have been classified as liabilities.

Other share options on issue

AASB 101.79(a)(vii) An entity shall disclose, for each class of share capital, shares reserved for issue under options, including the terms and amounts.

An entity with other share options may wish to use the following illustrative wording as an example:

'As at 31 December 2019, the Company has _____ share options on issue (2018: _____), exercisable on a 1:1 basis for _____ ordinary shares of the company (2018: _____) at an exercise price of $ ____. The options expire between *[date]* and *[date]* (2018: *[date]* and *[date]*), and carry no rights to dividends and no voting rights.'

Source

24. Share capital (continued)

Contracts for the sale of shares

AASB 101.79(a)(vii) An entity shall disclose, for each class of share capital, contracts for the sale of shares, including the terms and amounts.

An entity that has contracted to sell its shares to another party, for example, in a business combination occurring after the reporting date, may wish to use the following wording as a guide:

'On *[date]*, the company finalised negotiations to purchase 100% of the ordinary share capital of *[Entity name]*. As part of the purchase consideration for the acquisition, the Company will issue _____ ordinary shares to the acquiree. Further details of the acquisition are disclosed in note [x].'

Shares held by associates

AASB 101.79(vi) Where an associate holds shares in the entity, the number of shares held shall be disclosed.

Disclosure of information to enable users to evaluate the entity's objectives, policies and processes for managing capital

AASB 101.Aus136.1 An entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is not a reporting entity need not present the disclosures required by paragraphs 134-136 of AASB 101 *Presentation of Financial Statements*. Accordingly, these disclosures are not illustrated in these financial statements.

AASB 101.77
AASB 101.79(b)

25. Reserves (net of income tax)

An entity that elects to present a statement of changes in equity showing reconciliations between the carrying amount of each reserve at the beginning and the end of the period on the face of the statement need not repeat these disclosures in the notes to the financial statements. However, such entities shall disclose, either on the face of the balance sheet or in the notes to the financial statements, a description of the nature and purpose of each reserve within equity.

		31/12/2019	31/12/2018
		$'000	$'000
AASB 101.78(e)	Properties revaluation		
AASB 101.78(e)	Investments revaluation		
AASB 101.78(e)	Contributions		
AASB 101.78(e)	Cash flow hedging		
AASB 101.78(e)	Foreign currency translation		
AASB 101.78(e)	Option premium on convertible notes		
AASB 101.78(e)	Other *[describe]*		

Source

25. Reserves (net of income tax) (continued)

AASB 101.90, 106(d), 106A

Properties revaluation reserve

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	$'000
Balance at the beginning of the year		
Increase arising on revaluation of properties		
Impairment losses		
Reversals of impairment losses		
Deferred tax liability arising on revaluation		
Reversal of deferred tax liability on revaluation		
Transferred to retained earnings		
Other *[describe]*		
Balance at the end of the year		

AASB 101.79(b), 82A

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the properties revaluation reserve will not be reclassified subsequently to profit or loss.

AASB 101.90, 106(d), 106A

Investments revaluation reserve

	Investments in equity instruments designated as at FVTOCI	Investments in debt instruments classified as at FVTOCI	Investments revaluation reserve
	$'000	$'000	$'000
Balance at 1 January 2018			
Fair value gain/(loss) arising during the period			
Income tax relating to fair value gain/(loss) arising during the period			
Cumulative (gain)/loss on investments in equity instruments designated as at FVTOCI transferred to retained earnings upon disposal			
Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal			
AASB 101.82(cb) Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon reclassification from FVTOCI to FVTPL			
Balance at 1 January 2019			

Source

25. Reserves (net of income tax) (continued)

	Investments in equity instruments designated as at FVTOCI	Investments in debt instruments classified as at FVTOCI	Investments revaluation reserve
	$'000	$'000	$'000
Fair value gain/(loss) arising during the period			
Income tax relating to fair value gain/(loss) arising during the period			
Cumulative (gain)/loss on investments in equity instruments designated as at FVTOCI transferred to retained earnings upon disposal			
Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal			
AASB 101.82(cb) Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon reclassification from FVTOCI to FVTPL			
Balance at 31 December 2019			

AASB 101.79(b), 82A The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

AASB 101.90, 106(d), 106A

Financial liabilities at FVTPL credit risk reserve

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	$'000
Balance at the beginning of the year		
Fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk		
Income tax relating to fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk		
Transfer of credit risk reserve to retained earnings upon derecognition of related financial liabilities		
Balance at the end of the year		

Source

25. Reserves (net of income tax) (continued)

AASB 101.106(d), 106A

Contributions reserve

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	$'000
Balance at the beginning of the year		
Arising on share-based payments		
Other *[describe]*		
Balance at the end of the year		

AASB 101.79(b), 82A

The contributions reserve is used to separately account for the grant of share options to employees of the Company under the employee share option plan. Share options are granted to employees over the shares of the parent entity, Parent Holdings (Australia) Limited, who is responsible for the granting of those share options. An agreement is in place with Parent Holdings (Australia) Limited whereby no reimbursement for costs associated with the grant of options will be sought from the entity. As such, amounts relating to grants are recorded as an equity contribution from Parent Holdings (Australia) Limited in its capacity as owner. Items included in the contribution reserve will not be reclassified to profit or loss.

AASB 101.90, 106(d), 106A

Cash flow hedging reserve

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	$'000
Balance at the beginning of the year		
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
- Forward foreign exchange contracts		
- Interest rate swaps		
- Currency swaps		
Income tax related to gains/losses recognised in other comprehensive income		
Cumulative (gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss		
- Forward foreign exchange contracts		
- Interest rate swaps		
- Currency swaps		
Income tax related to amounts reclassified to profit or loss		
Transferred to initial carrying amount of hedged item		
- Forward foreign exchange contracts		
Income tax related to amounts transferred to initial carrying amount of hedged item		
Other *[describe]*		
Balance at the end of the year		

AASB 101.79(b), 82A

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

Source

25. Reserves (net of income tax) (continued)

AASB 101.90, 106 (d), 106A

Foreign currency translation reserve

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	$'000
Balance at the beginning of the year		
Exchange differences arising on translating the foreign operations		
Income tax relating to gains arising on translating the net assets of foreign operations		
Loss on hedging instrument designated in hedges of the net assets of foreign operations		
Income tax relating to loss on hedge of the net assets of foreign operations		
(Gain)/loss reclassified to profit or loss on disposal of foreign operations		
Income tax related to gain/loss reclassified on disposal of foreign operations		
(Gain)/loss on hedging instrument reclassified to profit or loss on disposal of foreign operations		
Income tax related to gain/loss on hedging instruments reclassified on disposal of foreign operation		
Other *[describe]*		
Balance at the end of the year		

AASB 101.79(b), 82A

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

AASB 101.106 (d), 106A

Option premium on convertible notes

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	$'000
Balance at the beginning of the year		
Recognition of option premium on issue of convertible notes		
Related income tax		
Balance at the end of the year		

AASB 101.79(b), 82A

The option premium on convertible notes represents the equity component (conversion rights) of the ____ million ____ % convertible notes issued during the year.

Source

26. Retained earnings

AASB 101.106 (b), (d), 106A

	31/12/2019	31/12/2018
	$'000	$'000
Retained earnings		

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	$'000
Balance at the beginning of the year		
Profit attributable to members of the Company		
Other comprehensive income arising from remeasurement of defined benefit obligation, net of income tax		
Payment of dividends		
Share buy-back		
Related income tax		
Transfer from properties revaluation reserve		
Other *[describe]*		
Balance at the end of the year		

27. Dividends on equity instruments

AASB 101.107

	Year ended 31/12/2019		Year ended 31/12/2018	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend				
Final dividend				
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend				

AASB 101.137(a)

On 28 February 2019, the directors declared an unfranked final dividend of ___ cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 31 December 2019. This dividend has not been included as a liability in these financial statements and will be paid to shareholders on *{date]* 2020. The total estimated dividend to be paid is $ ___.

AASB 1054.12-15

The Company is part of a tax-consolidated group and accordingly, does not pay tax or have franking credits in its own right.

Source

27. Dividends on equity instruments (continued)

Where the entity is not part of a tax-consolidated group, or is the head entity in a tax-consolidated group, the following disclosures shall be made:

		31/12/2019	31/12/2018
		$'000	$'000
AASB 1054.13	Adjusted franking account balance	-	-

AASB 101.107 An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.

AASB 1054.12 The term 'imputation credits' is used in paragraphs 13-15 to also mean 'franking credits'. The disclosures required by paragraphs 13 and 15 shall be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.

AASB 1054.13 An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.

AASB 1054.14 For the purposes of determining the amount required to be disclosed in accordance with paragraph 13, entities may have:

- Imputation credits that will arise from the payment of the amount of the provision for income tax
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

AASB 1054.15 Where there are different classes of investors with different entitlements to imputation credits, disclosures shall be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

Exempting accounts are held by companies wholly-owned by non-residents or tax exempt institutions and are similar to franking accounts. AASB 1054 *Australian Additional Disclosures* does not specifically require the disclosure of exempting account balances, however, where considered necessary (i.e. to satisfy the information needs of the likely users of the financial report), directors may consider disclosing the exempting account balance.

Cumulative preference dividends not recognised

AASB 101.137(b) An entity shall disclose in the notes to the financial statements the amount of any cumulative preference dividends not recognised.

Source

28. Acquisition of businesses

For clarity of presentation in these model financial statements, it has been assumed that there were no businesses acquired in the comparative period. If there had been a business acquired in 2017, all of the disclosures illustrated would also be required for that prior year acquisition.

Businesses acquired

During the year, the Company acquired *[Business 1]* and *[Business 2]*. Details of the acquisitions are as follows:

AASB 107.40(a) **Consideration transferred**

	[Business 1]	*[Business 2]*
	$'000	**$'000**
Cash		
Transfer of land and buildings at fair value at date of acquisition		
Contingent consideration arrangement		
Plus: effect of settlement of legal claim against the distribution business		
Total		

AASB 107.40(d) **Assets acquired and liabilities assumed at the date of acquisition**

	[Business 1]	*[Business 2]*	Total
	$'000	**$'000**	**$'000**
AASB 107.40(c) Cash and cash equivalents			
Trade and other receivables			
Inventories			
Plant and equipment			
Trade and other payables			
Deferred tax liabilities			
Contingent liabilities			

Net cash outflow on acquisition of businesses

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	**$'000**
AASB 107.40(b) Consideration paid in cash		
AASB 107.40(c) Less: cash and cash equivalent balances acquired		

Source

29. Disposal of businesses

For clarity of presentation in these model financial statements, it has been assumed that there were no businesses disposed in the comparative period. If there had been a business disposed in 2018, all of the disclosures illustrated would also be required for that prior year disposal.

On 30 May 2018, the Company disposed of its *[Disposed business 1]*.

Consideration received

		Year ended 31/12/2019 $'000
AASB 107.40(b)	Consideration received in cash and cash equivalents	
	Deferred sales proceeds (note 10)	
AASB 107.40(a)	Total consideration received	

AASB 107.40(d) **Book value of net assets sold**

	Year ended 31/12/2019 $'000
Cash and cash equivalents	
Trade receivables	
Inventories	
Property, plant and equipment	
Goodwill	
Payables	
Borrowings	
Deferred tax liabilities	
Net assets disposed of	

Net cash inflow/(outflow) on disposal of business

		Year ended 31/12/2019 $'000
	Consideration received in cash and cash equivalents	
AASB 107.40(c)	Less: cash and cash equivalent balances disposed of	

Source

30. Notes to the statement of cash flows

Reconciliation of cash and cash equivalents

AASB 107.45 For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	31/12/2019	31/12/2018
	$'000	$'000
Cash and bank balances		
Bank overdraft		
Cash and bank balances included in a disposal group held for sale		

Cash balances not available for use

AASB 107.48 An entity shall disclose, together with commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the Company.

Reconciliation of profit for the year to net cash flows from operating activities

AASB 1054.16 When an entity uses the direct method to present its statement of cash flows, the financial statements shall provide a reconciliation of the net cash flow from operating activities to profit (loss).

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	$'000
Profit for the year		
Income tax expense recognised in profit or loss		
Share of profits of associates		
Finance costs recognised in profit or loss		
Investment revenue recognised in profit or loss		
Gain on disposal of property, plant and equipment		
Gain on revaluation of investment property		
Gain on disposal of business		
Gain on disposal of interest in former associate		
Net loss arising on financial liabilities designated as at fair value through profit or loss		
Net loss arising on financial assets classified as held for trading		
Hedge ineffectiveness on cash flow hedges		
(Gain)/loss transferred from equity on sale of available-for-sale financial assets		
(Gain)/loss transferred from equity on impairment of available-for-sale financial assets		

Source

30. Notes to the statement of cash flows (continued)

	Year ended 31/12/2019	Year ended 31/12/2018
	$'000	**$'000**
Impairment loss recognised on trade receivables		
Reversal of impairment loss on trade receivables		
Depreciation and amortisation of non-current assets		
Impairment of non-current assets		
Net foreign exchange (gain)/loss		
Amortisation of financial guarantee contracts		
Gain arising on effective settlement of claim against the distribution business		
Movements in working capital		
- (Increase) in trade and other receivables		
- (Increase)/decrease in inventories		
- (Increase) in other assets		
- (Decrease) in trade and other payables		
- Increase/(decrease) in provisions		
- Increase in deferred revenue		
- (Decrease)/increase in other liabilities		
Cash generated from operations		
Interest paid		
Income taxes paid to head entity for tax funding agreement		
Net cash from/(used in) operating activities		

Source

30. Notes to the statement of cash flows (continued)

Reconciliation of liabilities arising from financing activities

AASB 107.44A-44E The table below details changes in the entity's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the entity's consolidated statement of cash flows as cash flows from financing activities.

AASB 107.44B

Year ended 31 December 2019	Balance as at 1/1/2019	Financing cash flows (ii)	Non-cash changes: Equity component of convertible notes	Non-cash changes: Acquisition of subsidiary	Non-cash changes: Disposal of subsidiary	Non-cash changes: Fair value adjustments	Non-cash changes: New leases	Other changes (iii)	Balance as at 31/12/2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Convertible notes (note 18)									
Perpetual notes (note 18)									
Government loans (note 18)									
Bank loans (note 18)									
Loans from related parties (note 18)									
Other borrowings (i)									
Redeemable preference shares (note 18)									
Interest rate swaps fair value hedging or economically hedging finance liabilities (note 19)									
Contingent consideration (note 19)									

AASB 107.44B

Year ended 31 December 2017	Balance as at 1/1/2017	Financing cash flows (ii)	Non-cash changes: Equity component of convertible notes	Non-cash changes: Acquisition of subsidiary (note 27.2)	Non-cash changes: Disposal of subsidiary (note 28.1)	Non-cash changes: Fair value adjustments (notes 8,9, 40.7.2)	Non-cash changes: New finance leases (note 30)	Other changes (iii)	Balance as at 31/12/2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
		-	-	-	-	-	-	-	-
Convertible notes (note 18)	-	-	-	-	-	-	-	-	-
Perpetual notes (note 18)	-	-	-	-	-	-	-	-	-
Government loans (note 18)	-	-	-	-	-	-	-	-	-
Bank loans (note 18)	-	-	-	-	-	-	-	-	-
Loans from related parties (note 18)	-	-	-	-	-	-	-	-	-
Other borrowings (i)	-	-	-	-	-	-	-	-	-
Redeemable preference shares (note 18)	-	-	-	-	-	-	-	-	-
Interest rate swaps fair value hedging or economically hedging finance liabilities (note 19)	-	-	-	-	-	-	-	-	-
Contingent consideration (note 19)	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

(i) Other borrowings consist of all items included in note 18, except for those separately disclosed above.

(ii) The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(iii) Other changes include interest accruals and payments.

Source

30. Notes to the statement of cash flows (continued)

Other disclosures

AASB 107.50

Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged and may include:

(a) The amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities
(b) The aggregate amounts of the cash flows from each of operating, investing and financing activities related to interests in joint ventures reported using proportionate consolidation
(c) The aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity.

AASB 107.51

The separate disclosure of cash flows that represent increases in operating capacity and cash flows that are required to maintain operating capacity is useful in enabling the user to determine whether the entity is investing adequately in the maintenance of its operating capacity.

AASB 107.52

The disclosure of segmental cash flows enables users to obtain a better understanding of the relationship between the cash flows of the business as a whole and those of its component parts and the availability and variability of segmental cash flows.

AASB 107.43

Non-cash transactions

During the current year, the Company entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- The Company disposed of property, plant and equipment with an aggregate fair value of $ ____ to acquire the *[Business 1]* as indicated in note 27
- The Company acquired $____ of equipment under lease in 2019 (2018: $ ____).

Source

31. Remuneration of auditors

ASIC-CI 2016/191

An entity shall consider the extent to which *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* permits information about the remuneration of auditors to be rounded.

Auditor of the Company

		31/12/2019	31/12/2018
		$	$
AASB 1054.10, 11	Audit or review of the financial statements		
	Preparation of the tax return		
	All other services *[describe]*		
AASB 1054.10, 11	**Network firm of the Company auditor**		
	All other services *[describe]*		

The auditor of SPFS Holdings (Australia) Pty Limited is Deloitte Touche Tohmatsu.

Remuneration of international associates of Deloitte Touche Tohmatsu Australia shall be disclosed under 'Network firm of the Company auditor'.

AASB 1054.11

The nature and amount of each category of non-audit services provided by a network firm of the auditor of a Company shall be disclosed in the notes to the financial statements.

Network firm' is defined in APES 110 *Code of Ethics for Professional Accountants* as 'a Firm or entity that belongs to a Network'.

'Firm' is defined in APES 110 as:

(a) A sole practitioner, partnership, corporation or other entity of professional accountants
(b) An entity that controls such parties through ownership, management or other means
(c) An entity controlled by such parties through ownership, management or other means, or
(d) An Auditor-General's office or department.

'Network' is defined in APES 110 as a larger structure:

(a) That is aimed at co-operation, and
(b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

The definition of 'Network' is to be read in the context of the guidance provided in paragraphs 290.14-26 of APES 110.

Deloitte.