Deloitte.

Model Special Purpose Financial Statements

Improving Disclosure

Financial years ending on or after 30 June 2016

June 2016

Model annual reports

Contents

Section A:
What’s new in financial reporting?

Section A
What's new in financial reporting?

Contents | Page

This page has intentionally been left blank

What are the big picture issues for June 2016?

Key considerations

The last 12-18 months have been relatively quiet in terms of amending Standards and new Interpretations that have become mandatorily effective for the first time. This trend continues in the current year with the next wave of major changes not expected until 2018/19. We recommend entities use this time to consider the impact to their financial statements of the major changes that are coming which also have significant disclosure consequences. In light of the recommendations coming out of the disclosure initiative, in particular, around only disclosing material information and tailoring the structure of the notes, we also encourage entities to assess whether the existing disclosures in their financial statements are as clear and relevant as they could be.

The amended reporting requirements that must be applied for the first time this year include:

- Withdrawal of references to AASB 1031 *Materiality*

  AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

- Financial reporting requirements for Australian groups with a foreign parent

  AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent* requires that the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

Some of the Australian-specific and other related factors that need to be considered in the current reporting season:

- **New AASB/IASB pronouncements**

  The AASB has issued new standards on revenue and financial instruments, which will mandatorily apply from 1 January 2018, and leases, which will mandatorily apply from 1 January 2019. These standards form the basis of the 'next big wave' of pronouncements. A further pronouncement is expected on insurance contracts. There may be some changes for which early adoption would be attractive. In addition, to the extent pronouncements have been issued prior to finalising the financial report, entities claiming full compliance with IFRSs in their financial statements will need to include the relevant AASB 101 disclosures about accounting standards on issue but not applied in their financial reports. Analysts and other stakeholders may also request more in-depth information about the impacts of the changes.

- **Revised Auditor Reporting Standards**

  The AUASB has issued several new and revised Auditing Standards, operative for financial reporting periods ending on or after 15 December 2016.

  ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* will require key audit matters, that is, those matters that, in the auditor's professional judgement, require significant auditor attention in performing the audit, to be disclosed in the auditor's report for listed entities. Consideration should be given to the adequacy of the disclosures provided in the financial statements relating to the key audit matters identified in the auditor's report. In particular, key areas of significant estimates and judgements highlighted in the accounts or noted as key audit matters should reflect symmetry of purpose.

- **Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015**

  Amongst other tax specific issues, this legislation provides for certain significant global entities to lodge general purpose financial statements for income years commencing on or after 1 July 2016. Under the new requirements, if a relevant significant global entity has not lodged a general purpose financial statement with ASIC, it will be required to lodge a general purpose financial statement with the Australian Taxation Office (ATO) on or before the day lodgement of the entity's tax return is due. The ATO will be required to provide the general purpose financial statement to ASIC.

  Since the enactment of the legislation, the ATO has announced that it will release a discussion paper inviting stakeholders to provide feedback on the ATO's proposed administrative arrangements and to raise technical issues in October 2016.

  Where an entity meets the significant global entity criteria, it should monitor these discussions and consider the impact that this will have on their financial reporting obligations.

- **Tax Transparency Code**

  In May 2015 the Government charged the Board of Taxation (BoT) with the task of leading the development of a code that promotes greater public disclosure of tax information by large corporates. The BoT released a consultation paper containing its preliminary findings and recommendations to Government for a Tax Transparency code (TTC) in December 2015. The BoT intends the TTC to set a minimum standard for content to be disclosed, but it expects that many businesses will make additional disclosures. These disclosures are expected to be included either in an entity's general purpose financial statements or a 'taxes paid' report.

  The BoT expects the TTC to be in operation in time for the reporting period for the 2015-16 financial statements and annual reports and may see an increase in disclosures with respect to tax.

- **Relevant Financial Reporting**

  There is a widely held perception amongst both preparers and users that financial reports are less relevant than they could be. Over the years, the piecemeal addition of new disclosure requirements combined with the use of technical jargon and/or boilerplate language has, in many cases, led to financial statements that are unwieldy, lacking in coherency and therefore difficult to understand.

  Recently, there has been a push by both Australian and International Regulators and Standard Setters towards encouraging meaningful communication rather than just compliance in financial reporting.

  The purpose of 'relevant financial reporting' is to improve financial statement disclosure, thereby enabling the directors to tell their 'story' in a more effective manner and to ensure that users are provided with relevant and reliable information that is useful. With this as the focus, there is a range of ways to make financial statements more relevant from 'quick wins' to a 'complete over-haul'.

  Examples of techniques that can be applied to create relevant financial reporting are detailed on page A9.

Important note

At the date of this publication, a number of key proposals of both the International Accounting Standards Board (IASB) and Australian Accounting Standards Board (AASB) are subject to finalisation and approval. As these proposals are finalised, early adoption may be attractive to some entities. Stay up-to-date with developments in this important area at http://www2.deloitte.com/au/en/pages/audit/solutions/accounting-technical.html.

We also maintain an up-to-date summary of all new financial reporting requirements in our 'What's new' summary, available at http://www2.deloitte.com/au/en/pages/audit/articles/whats-new-guides.html.

Detailed summary of new and revised financial reporting pronouncements

The information in this section was prepared as of 31 March 2016. This information is updated throughout the reporting season in our 'What's new in financial reporting' summary, available at http://www2.deloitte.com/au/en/pages/audit/articles/whats-new-guides.html.

Note, this publication assumes that an entity will apply the final and complete version of AASB 9 *Financial Instruments* in full rather than adopting AASB 9 in a piecemeal fashion. (Adopting AASB9 in a piecemeal fashion was only permitted where the initial application date was before 1 February 2015).

The tables below outline the new and revised pronouncements that are to be applied for the first time at 30 June 2016, or which may be early adopted at that date.

As occurs so often with changes to accounting standards and financial reporting requirements, some of the new or revised pronouncements listed in the tables below may have a substantial impact on particular entities. Therefore, it is important that the pronouncements listed are carefully reviewed for any potential impacts or opportunities.

Where early adoption is being contemplated, it is important to address any necessary procedural requirements, e.g. for entities reporting under the *Corporations Act 2001*, appropriate director's resolutions for early adoption must be made under s.334(5). Disclosure in the financial statements must also be addressed.

In addition, the disclosure requirements required in relation to new and revised accounting pronouncements need to be carefully considered even where they have not yet been adopted.

New and revised Standards

New or revised requirement	When effective	Applicability to 30 June 2016 full years
AASB 9 *Financial Instruments*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*, AASB 2014-1 *Amendments to Australian Accounting Standards [Part E – Financial Instruments]*, AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* The Standard carries over the existing derecognition requirements from AASB 139 but all other areas of AASB 139 have been revised. AASB 9 introduces new requirements for classifying and measuring financial assets, as follows: • Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances); • Investments in equity instruments not held for trading can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss; • All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss; and • The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit and loss – in these cases, the portion of the change in fair value related to changes in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised cost or FVTOCI, lease receivables, contract assets and written loan commitments and financial guarantee contracts. The loan loss allowance will be for either 12-month expected losses or lifetime expected losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument. A new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. However, some transition options exist that allow entities to essentially retain AASB 139 hedge accounting. *^ Note: this publication assumes that an entity will apply the final and complete version of AASB 9 in full, rather than adopting AASB 9 in a piecemeal fashion. Earlier versions of AASB 9 (and related amending Standards) can no longer be adopted.*	Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2018^	Optional^

New or revised requirement	When effective	Applicability to 30 June 2016 full years
AASB 14 *Regulatory Deferral Accounts*, AASB 2014-1 *Amendments to Australian Accounting Standards (Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts)* Permits an entity to continue to account for regulatory deferral account balances in its financial statements in accordance with its previous GAAP when it adopts Australian Accounting Standards. AASB 2014-1 Part D makes consequential amendments arising from issuance of AASB 14. *Note: An entity that is not a first-time adopter of Australian Accounting Standards will not apply AASB 14.*	Applicable to annual reporting periods beginning on or after 1 January 2016	Optional *(for first-time adopters)*
AASB 15 *Revenue from Contracts with Customers*, AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15,* AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue*, Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 *Transfers of Assets from Customers*, and Interpretation 131 *Revenue-Barter Transactions Involving Advertising Services*. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	Applicable to annual reporting periods beginning on or after 1 January 2018	Optional
AASB 16 *Leases* AASB 16 will replace AASB 117 *Leases,* Interpretation 4 *Determining whether an Arrangement contains a Lease,* Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The Standard will provide a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The new Standard introduces three main changes: • Enhanced guidance on identifying whether a contract contains a lease; • A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets; and • Enhanced disclosures. Lessor accounting will not significantly change.	Applicable to annual reporting periods beginning on or after 1 January 2019	Optional

New or revised domestic Standards

New or revised requirement	When effective	Applicability to 30 June 2016 full years
AASB 1056 *Superannuation Entities* Replaces AAS 25 *Financial Reporting by Superannuation Plans* and updates the requirements applying to superannuation entities in light of recent significant developments in the industry and the adoption of IFRS in Australia. Applies to large superannuation entities regulated by the APRA and to public sector superannuation entities. (Note: AASB 1056 does not apply to SMSFs or small APRA funds.)	Applies to annual reporting periods beginning on or after 1 July 2016	Optional
AASB 1057 *Application of Australian Accounting Standards,* AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs* This Standard effectively moved Australian specific application paragraphs from each Standard into a combined Standard. The Standard has no impact on the application of individual standards.	Applies to annual reporting periods beginning on or after 1 January 2016	Optional

New Amending Standards

The table below lists the Amending Standards that do not relate to the pronouncements listed in other tables.

New or revised requirement	When effective	Applicability to 30 June 2016 full years
AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* Amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in a joint operation where the operation constitutes a business.	Applicable to annual reporting periods beginning on or after 1 January 2016	Optional
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* Amends AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.	Applicable to annual reporting periods beginning on or after 1 January 2016	Optional
AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants* Specifies that biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with AASB 116 *Property, Plant, and Equipment*, instead of AASB 141 *Agriculture*.	Applicable to annual reporting periods beginning on or after 1 January 2016	Optional

New or revised requirement	When effective	Applicability to 30 June 2016 full years
AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* Amends AASB 127 *Separate Financial Statements,* to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: • at cost; • in accordance with AASB 9 *Financial Instruments*; or • using the equity method as described in AASB 128 *Investments in Associates and Joint Ventures*. The accounting policy option must be applied for each category of investment.	Applicable to annual reporting periods beginning on or after 1 January 2016	Optional
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,* AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128* Addresses a conflict between the requirements of AASB 128 *Investments in Associates and Joint Ventures* and AASB 10 *Consolidated Financial Statements* and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.	Applicable to annual reporting periods beginning on or after 1 January 2018	Optional
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle. Key amendments include: • AASB 5 – Change in methods of disposal; • AASB 7 – Servicing contracts and applicability of the amendments to AASB 7 to condensed interim financial statements; • AASB 119 – Discount rate: regional market issue; and • AASB 134 – Disclosure of information 'elsewhere in the interim financial report'.	Applicable to annual reporting periods beginning on or after 1 January 2016	Optional
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* Amends AASB 101 *Presentation of Financial Statements* to provide clarification regarding the disclosure requirements in AASB 101. Includes narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.	Applicable to annual reporting periods beginning on or after 1 January 2016	Optional

New or revised requirement	When effective	Applicability to 30 June 2016 full years
AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.	Applicable to annual reporting periods beginning on or after 1 July 2015	Mandatory
AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent* Amends AASB 128 *Investments in Associates and Joint Ventures* to align the relief available in AASB 10 *Consolidated Financial Statements* and AASB 128 in respect of the financial reporting requirements for Australian groups with a foreign parent. Amendments are made to AASB 128 to require that the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.	Applicable to annual reporting periods beginning on or after 1 July 2015	Mandatory
AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* Amends AASB 10 *Consolidated Financial Statements*, AASB 12 *Disclosures of Interests in Other Entities* and AASB 128 *Investments in Associates and Joint Ventures*, to: • confirm that the exemption from preparing consolidated financial statements set out in AASB 10.4(a) is available to a parent entity that is a subsidiary of an investment entity; • clarify the applicability of AASB 12 to the financial statements of an investment entity; and • introduce relief in AASB 128 to permit a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.	Applicable to annual reporting periods beginning on or after 1 January 2016	Optional
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Non-for-Profit Public Sector Entities* Extends the scope of AASB 124 to not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities.	Applicable to annual reporting periods beginning on or after 1 July 2016	Optional
AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* Amends AASB 13 *Fair Value Measurement* to relieve not-for-profit public sector entities from certain disclosures applying to assets within the scope of AASB 16 *Property, Plant and Equipment* that are held primarily for their current service potential rather than to generate future net cash inflows. The relief is temporary pending the outcome of related AASB projects.	Applicable to annual reporting periods beginning on or after 1 July 2016	Optional

New or revised requirement	When effective	Applicability to 30 June 2016 full years
AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* Amends AASB 112 *Income Taxes* to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	Applicable to annual reporting periods beginning on or after 1 January 2017	Optional
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* Amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	Applicable to annual reporting periods beginning on or after 1 January 2017	Optional

New and revised Interpretations

At the date of publication, there are no new or revised Interpretations issued by the AASB.

Pronouncements approved by the IASB/IFRIC where an equivalent pronouncement has not been issued by the AASB

New or revised requirement	When effective	Applicability to 30 June 2016 full years
Clarifications to IFRS 15 *Revenue from Contracts with Customers* Clarifies some requirements and provides additional transitional relief for companies that are implementing the new Standard. The amendments do not change the underlying principles of the Standard, but rather clarify how those principles should be applied.	Applicable to annual reporting periods beginning on or after 1 January 2018	Optional

Corporations Act 2001 developments

Development	When effective
Corporations Amendment (Remuneration Disclosures) Regulation 2016 Amends some of the remuneration report requirements to address inconsistencies that arose when Australian specific disclosure requirements were removed from AASB 124 *Related Party Disclosures* and it was intended they be inserted into the Corporations Regulations. The amendment effectively replaces Class Order 14/632, which was issued as an interim measure to ensure that the original policy intent of the regulations were met, pending the Corporations Act amendment.	17 April 2016

Other developments

The following are other developments that may have direct or indirect impacts on financial reporting:

ASIC

- ASIC focus areas for financial reporting - Consistent with prior periods the Australian Securities & Investments Commission (ASIC) is focused on the quality of financial reporting and disclosures that provide useful and meaningful information for investors and other users. ASIC continues to encourage preparers of financial reports to focus on the appropriateness of key accounting policy choices that can significantly affect reported results. ASIC also emphasised the importance of evaluating the need to impair goodwill and other assets. Key areas of focus for this financial season include:
  - policy choices – off-balance sheet exposures, revenue recognition, expense deferral policies and tax accounting;
  - key accounting estimates – impairment testing and asset values; and
  - accounting disclosures – estimates and accounting policy judgements and impact of new revenue and financial instruments standards.
- In December 2015, the ASIC announced the results from a review of 30 June 2015 financial reports that covered 240 listed and other public interest entities. ASIC noted that preparers of financial reports should ensure they provide high quality, useful and meaningful information. Based on its findings, ASIC has made inquiries of entities in areas such as:
  - Asset values and impairment testing
  - Revenue recognition
  - Tax accounting
  - Deferred expenses
  - Classification of liabilities
  - Estimates and accounting policy judgements

Relevant Financial Reporting

There is a widely held perception amongst both preparers and users that financial reports are less relevant than they could be. Over the years, the piecemeal addition of new disclosure requirements combined with the use of technical jargon and/or boilerplate language has, in many cases, led to financial statements that are unwieldy, lacking in coherency and therefore difficult to understand.

Recently, there has been a push by both Australian and International Regulators and Standard Setters towards encouraging meaningful communication rather than just compliance in financial reporting.

The purpose of 'relevant financial reporting' is to improve financial statement disclosure, thereby enabling the directors to tell their 'story' in a more effective manner and to ensure that users are provided with relevant and reliable information that is useful. With this as the focus, there is a range of ways to make financial statements more relevant from 'quick wins' to a 'complete over-haul'.

Examples of techniques that can be applied to create relevant financial reporting are shrink, structure and sharpen:

Shrink

- Remove 'boiler-plate' accounting policy narrative that is not applicable to the client. Do not disclose accounting policies that might only become relevant in the future;
- Only discuss accounting standards that have been issued, but that are not yet effective, where these are material to the entity;
- Tailor disclosures about significant judgements and estimates to only include those items that have a material impact on the financial statements;
- Remove immaterial note disclosures (for example, disclosure of prepayments and disclosure of insignificant defined benefit schemes);
- Apply materiality assessments to financial instrument disclosures and other disclosures;
- Make use of cross-referencing to avoid repetition within the financial report; and
- Make reductions through the creative use of tables, graphs, graphics and font.

Structure

- Reorder disclosures in order of importance with the most relevant information presented first. For example, notes relating to performance presented first, with notes relating to less material items presented last;
- Group related notes together. For example,
    - performance notes (segment report, revenue and expenses, taxation and working capital); and
    - group structure notes (business acquisitions, subsidiaries, deed of cross guarantee and parent entity information);
- Include accounting policy narrative within the note to which it relates. For example, include the property, plant and equipment accounting policy within the property, plant and equipment note;
- Improve structure through the creative use of tables, graphs, graphics and font; and
- Include details of significant estimates and judgements within the note to which they relate.

Sharpen

- Tailor disclosures to describe the actual circumstances of the company;
- Avoid the use of generic ‘boiler plate’ language;
- Replace accounting jargon and technical language with plain English. For example, use short sentences, full terms instead of abbreviations, simple language and active voice in written narrative; and
- Improve the design through creative use of tables, graphs, graphics, colour and font.

Online resources

Deloitte Australia website

The landscape of regulatory and accounting requirements is ever evolving as a result of new developments. New challenges – and opportunities – arise on an almost daily basis: International Financial Reporting Standards, Corporations law changes, carbon, best practice Corporate Governance, and the list goes on. Responding to these challenges and making the most of the opportunities they present is a critical objective of boards, audit committees and senior management alike.

Access to information about these important developments and understanding their practical and commercial implications is a crucial part of your organisation's response. In this regard, our Assurance and Advisory website assists you with hot topics, easy navigation, expert accounting technical information (including archives) and more detailed information about our services. The site and content is designed to assist you quickly find the information suited to your needs is available at http://www2.deloitte.com/au/en/pages/audit/solutions/accounting-technical.html.

In keeping with the theme of easy access to critical information, you can also use our Quick Links to get to the information on topics of key importance to you, such as:

- Roundups of financial reporting developments

  http://www2.deloitte.com/au/en/pages/audit/articles/monthly-roundup-2015.html
- Advisory Services

  http://www2.deloitte.com/au/en/services/financial-advisory.html
- Accounting-related information

  http://www2.deloitte.com/au/en/misc/litetopicpage.MF-AU-Tags.accounting-technical.html

IAS Plus website

Our IAS Plus website provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board, International Financial Reporting Standards, and international accounting and auditing in general. Access the site at www.iasplus.com

Other websites

- AASB www.aasb.gov.au
- ASIC www.asic.gov.au
- ASX www.asx.com.au
- IASB www.ifrs.org
- FASB www.fasb.org (in addition to US-GAAP information, contains information on joint IASB/FASB projects)

Section B: Model annual report

This page has intentionally been left blank

Section B
Model special purpose annual report
for financial years ending on or after 30 June 2016

Contents

This page has intentionally been left blank

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 **large proprietary company** in accordance with:

- Provisions of the Corporations Act 2001;
- The accounting methodology (or accounting treatment) of all Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (except as noted below);
- 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'; and
- 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 illustration is not designed to meet specific needs of a first-time adopter of Australian Accounting Standards, not-for-profit entities, specialised industries (e.g. life insurance companies, credit unions, etc.) 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.

In these 2016 model financial statements, we have illustrated the impact of the adoption of a number of new and revised Standards and Interpretations which are relevant to the fact pattern provided (see note 2 to the financial statements for details).

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.

Note that in these model financial statements, we have frequently included line items for which a nil amount is shown, so as to illustrate items that, although not applicable to SPFS Holdings (Australia) Pty Limited, are 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 line items for such 'nil' amounts.

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, GAAP Holdings (Australia) Limited;
- 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 GAAP Holdings (Australia) Limited is the head entity;
- The entity's business activities include the sale of electronic equipment and leisure goods, and the construction and renovation of residential properties; and
- The functional currency of the entity is Australian dollars.

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. 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 financial years ending on or after 30 June 2016*.

For guidance on consolidation refer to the General Purpose Model Financial Statements.

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

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 used in this illustration are as follows:

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 30 June 2016

This page has intentionally been left blank

Source	SPFS Holdings (Australia) Pty Limited

Directors' report

This model financial report is intended to illustrate the minimum information to be disclosed in the annual report of a 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) • particulars about each director;

s.300(10)(b), (c) • directors' meetings; and

s.300(10)(d) • particulars about the company secretary.

s.300(10) Particulars about each director and the company secretary are not required where the public company is a wholly-owned controlled entity of another company.

These disclosures are illustrated in the Deloitte *Model Financial Statements* for financial years ending on or after 30 June 2016.

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-CO 98/2395 Information required by s.298(1)(c)[1], s.298(1A), s.299 to s.300 (other than s.300(11B) and (11C) insofar as those sections require certain information to be included in the directors' report or in the financial statements pursuant to s.300(2)) may be transferred to a document attached to the directors' report and financial statements where a clear cross reference to the pages containing the excluded information exists and certain conditions are satisfied. The information required by s.298(1)(c)[1], s.298(1A), s.299 and s.299A may not be transferred into the financial statements.

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

The directors of SPFS Holdings (Australia) Pty Limited submit herewith the annual report of the company for the financial year ended 30 June 2016. 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 July 2015
- Ms S.M. Saunders – appointed 2 August 2015, resigned 29 July 2016
- Mr A.K. Black – appointed 21 July 2016

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; and
- 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.

[1] Subsection 298(1)(c) has been removed and relocated to subsections 298(1)(1AA)(c) and 298(1)(1AB)(c) as a result of the Corporations Amendment (Corporate Reporting Reform) Act 2010.

Source	SPFS Holdings (Australia) Pty Limited

Principal activities

s.299(1)(c) The company's principal activities in the course of the financial year were the manufacture of electronic equipment and leisure goods, and the construction and renovation of residential properties.

During the financial year the company sold its toy 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 bicycle 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), 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 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.

<u>Presenting the narrative and analysis</u>

Recommended disclosures for presenting the narrative and analysis in an 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.

<u>Operations and financial position</u>

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; and
- discuss results for the key operating segments and major components of the overall result.

<u>Business strategies and prospects for future financial years</u>

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; and
- discuss the material business risks that could adversely affect the achievement of the described financial performance.

Source	SPFS Holdings (Australia) Pty Limited

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' 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.

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:

(a) An overview of the entity and its strategy;
(b) A review of operations, considering both short and longer-term value creation in the context of the entity's strategy;
(c) Information on investments made to enhance future value creating potential;
(d) A review of the entity's financial condition; and
(e) 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:

(a) Overview and strategy:
    (i) Explaining the objectives of the entity and how they are to be achieved;
    (ii) 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);
    (iii) 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.

Source	SPFS Holdings (Australia) Pty Limited
	(b) Review of operations: (i) 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; (ii) 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. (c) 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. (d) Review of financial conditions: (i) Capital structure of the entity including capital funding and treasury policies and objectives; (ii) Cash from operations and other sources of capital; (iii) 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; (iv) 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; (v) 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. (e) Risk management and corporate governance practices, including management of both financial and non-financial risks.
	Non-IFRS financial information
ASIC-RG 230	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' should be followed to assist in reducing the risk of non-IFRS financial information being misleading[2]. 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: o be explained and reconciled to IFRS financial information; o be calculated consistently from period to period; and o 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.

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

Source	SPFS Holdings (Australia) Pty Limited
	Changes in state of affairs
s.299(1)(b)	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.
	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 suggest 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; and • 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.
	Dividends
s.300(1)(a)	In respect of the financial year ended 30 June 2015, as detailed in the directors' report for that financial year, a final dividend of 19.36 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 9 October 2015.
s.300(1)(a)	In respect of the financial year ended 30 June 2016, an interim dividend of 17.85 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 4 March 2016.
s.300(1)(a)	In respect of the financial year ended 30 June 2016, an interim dividend of 20.33 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of redeemable cumulative preference shares on 20 June 2016.

Source	SPFS Holdings (Australia) Pty Limited
s.300(1)(b)	In respect of the financial year ended 30 June 2016, the directors recommend the payment of a final dividend of 26.31 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 3 October 2016.
	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.
AASB110.13	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 financial years ending on or after 30 June 2016*. 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 on pages B 8 and B 13 of the Deloitte *Model Financial Statements for financial years ending on or after 30 June 2016*) cover: (a) options over unissued shares and interests of the company, registered scheme or disclosing entity; and (b) 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: (a) granted over unissued shares or unissued interests during or since the end of the financial year; and (b) granted to any of the directors or any of the 5 most highly remunerated officers of the company (other than the directors); and (c) 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: (a) the identity of the company, registered scheme or disclosing entity granting the option; (b) the name of the person to whom the option is granted; and (c) the number and class of shares or interests over which the option is granted.
	Shares under option or issued on exercise of options
	The directors' report should include details of:
s.300(1)(f)	(a) 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; and
s.300(1)(e)	(b) 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: (a) the company, registered scheme or disclosing entity that will issue shares or interests when the options are exercised; (b) the number and classes of those shares or interests; (c) the issue price, or the method of determining the issue price, of those shares or interests; (d) the expiry date of the options; and (e) 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.

Source	SPFS Holdings (Australia) Pty Limited
s.300(7)	The details of shares and interests issued as a result of the exercise of any option should include: (a) the company, registered scheme or disclosing entity issuing the shares or interests; (b) the number of shares or interests issued; (c) 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; (d) the amount unpaid on each of those shares or interests; and (e) 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.'
	Registered schemes [registered schemes only]
s.300(13)	The directors' report for a registered scheme should disclose details of: (a) the fees paid to the responsible entity and its associates out of scheme property during the financial year; (b) the number of interests in the scheme held by the responsible entity or its associates as at the end of the financial year; (c) interests in the scheme issued during the financial year; (d) withdrawals from the scheme during the financial year; (e) the value of the scheme's assets as at the end of the financial year, and the basis for the valuation; and (f) 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: (a) the person's name; (b) the names of the parties to the proceedings; and (c) 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 after this report.

Source	SPFS Holdings (Australia) Pty Limited
	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: (a) 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; and (b) specify where that additional information can be found in the financial statements.
	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, 12 September 2016

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1219 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board of Directors
SPFS Holdings (Australia) Pty Limited
167 Admin Ave
SYDNEY, NSW 2000

12 September 2016

Dear Board Members,

SPFS Holdings (Australia) Pty Limited

s.298(1AA)(c), s.307C, ASIC-CO 98/2395

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 30 June 2016, 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 audit; and

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

T.L. Green
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

Source	SPFS Holdings (Australia) Pty Limited
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 lead auditor's knowledge and belief, there have been: (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit or review; and (ii) no contraventions of any applicable code of professional conduct in relation to the audit or review; or a written declaration that, to the best of the lead auditor's knowledge and belief, the only contraventions of: (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit or review; or (ii) any applicable code of professional conduct in relation to the audit or review; are those contraventions details of which are set out in the declaration.
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 this subsection if: (a) 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; and (b) a director signs the directors' report within 7 days after the declaration is given to the directors; and (c) the auditors' report on the financial statements is made within 7 days after the directors' report is signed; and (d) the auditors' report includes either of the following statements: (i) 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; (ii) 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: (a) 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); and (b) the person does not commit an offence because of s.324CE(4), s.324CF(4) or s.324CG(4) (quality control system defence).

Source	SPFS Holdings (Australia) Pty Limited
	Independent auditor's report to the members of SPFS Holdings (Australia) Pty Limited
	An independent auditor's report shall be prepared by the auditor in accordance with the 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)	• whether the financial statements are in accordance with the Corporations Act 2001, including: (i) whether the financial statements comply with accounting standards; and (ii) whether the financial statements give a true and fair view of the financial performance and position of the entity;
s.307(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)	• whether the auditor has been given all information, explanations and assistance necessary for the conduct of the audit;
s.307(c)	• whether the company has kept financial records sufficient to enable financial statements to be prepared and audited;
s.307(d)	• whether the company has kept other records and registers as required by the Corporations Act 2001;
s.308(3A), ASA700.Aus37.1	• when an entity, in accordance with Australian Accounting Standard AASB 101 'Presentation of Financial Statements', has included in the notes to the financial statements an explicit and unreserved statement of compliance with IFRSs, whether the auditor is of the opinion that the financial statements comply with IFRSs. The auditor is only required to include in the audit report this opinion where the auditor agrees with the entity's statement of compliance.
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.
	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 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.

Source	SPFS Holdings (Australia) Pty Limited
	Directors' declaration
	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, 12 September 2016

Source	SPFS Holdings (Australia) Pty Limited
	Format of the financial statements
	General disclosures
	Minimum general requirements relating to the format of the financial statements are included in AASB 101 'Presentation of Financial Statements' and AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' and have been implicitly applied in the model financial statements. These include:
AASB101.49	(a) An entity shall clearly identify the financial statements and distinguish them from other information in the same published document;
AASB101.36	(b) An entity shall present a complete set of financial statements (including comparative information) at least annually;
AASB101.36	(c) When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:
	(i) the reason for using a longer or shorter period; and
	(ii) the fact that amounts presented in the financial statements are not entirely comparable;
AASB101.51	(d) An entity shall clearly identify each financial statement and the notes;
AASB101.51	(e) An entity shall display the following information prominently, and repeat it when necessary for the information presented to be understandable:
AASB101.51(a)	(i) the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period (for example, to give a proper understanding, the change of name may be disclosed on the cover of the annual report and repeated in the directors' report, the directors' declaration, auditor's independence declaration, independent auditor's report and on the face of the financial statements);
AASB101.51(b)	(ii) whether the financial statements are of the individual entity or a group of entities;
AASB101.51(c)	(iii) the date of the end of the reporting period or the period covered by the set of financial statements or notes;
AASB101.51(d)	(iv) the presentation currency, as defined in AASB 121 'The Effects of Changes in Foreign Exchange Rates'; and
AASB101.51(e)	(v) the level of rounding used in presenting amounts in the financial statements; and
AASB101.45	(f) An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:
AASB101.45(a)	(i) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in AASB 108; or
AASB101.45(b)	(ii) an Australian Accounting Standard requires a change in presentation.
	Specific disclosures
	Where the following is not disclosed elsewhere in information published with the financial statements, the information shall be disclosed in the financial statements:
AASB101.138(a)	(a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office). For a listed entity, this information would normally be disclosed in additional securities exchange information. However, non-listed entities will need to ensure that this information is specifically included in the financial statements. These disclosure requirements are illustrated in note 1 to the model financial statements;
AASB101.138(b)	(b) a description of the nature of the entity's operations and its principal activities, Complying with the Corporations Act 2001 directors' report requirements, in relation to principal activities, will ensure compliance with these requirements. This disclosure requirement is illustrated in the directors' report;
AASB101.138(c)	(c) the name of the parent and the ultimate parent of the group; and
AASB101.138(d)	(d) if it is a limited life entity, information regarding the length of its life.
	Notes to the financial statements
AASB101.112	The notes shall:
	(a) present information about the basis of preparation of the financial statements and the specific accounting policies used;
	(b) disclose the information required by Australian Accounting Standards that is not presented elsewhere in the financial statements; and
	(c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

Source	SPFS Holdings (Australia) Pty Limited
AASB101.113	An entity shall, as far as practicable, present notes in a systematic manner. An entity shall cross-reference each item in the statements of financial position and of comprehensive income, in the separate income statement (if presented), and in the statements of changes in equity and of cash flows to any related information in the notes.
	Comparative information
AASB101.38	Except when Australian Accounting Standards permit or require otherwise, an entity shall disclose comparative information in respect of the previous period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.
	Reclassification of financial information
AASB101.41	When the entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity shall disclose: (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification.
AASB101.42	When it is impracticable to reclassify comparative amounts, an entity shall disclose: (a) the reason for not reclassifying the amounts; and (b) the nature of the adjustments that would have been made if the amounts had been reclassified.
	Errors made in prior periods
AASB108.42	Material prior period errors shall be retrospectively corrected in the first financial statements authorised for issue after their discovery by: (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.
AASB108.43 AASB108.44	However, to the extent that it is impracticable to determine either: (a) the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period); or
AASB108.45	(b) the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.
AASB108.46	The correction of a prior period error is excluded from profit or loss for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.
	Change in accounting estimates
AASB108.36	The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in: (a) the period of the change, if the change affects that period only; or (b) the period of the change and future periods, if the change affects both.
AASB108.37	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. The disclosure requirements with respect to revisions of accounting estimates are illustrated in note 4 to the model financial statements.

Source	SPFS Holdings (Australia) Pty Limited
	True and fair override
AASB101.15	Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of AASBs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.
AASB101.19	In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the Framework, the entity shall depart from that requirement in the manner set out in AASB 101.20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.
AASB101. Aus19.1	In relation to AASB 101.19 above, the following shall not depart from a requirement in an Australian Accounting Standard: (a) entities required to prepare financial reports under Part 2M.3 of the Corporations Act; (b) private and public sector not-for-profit entities; and (c) entities applying Australian Accounting Standards – Reduced Disclosure Requirements.
AASB101.23	In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the Framework, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing: (a) the title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the Framework; and (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

This page has intentionally been left blank

Index to the financial statements

This page has intentionally been left blank

Source	SPFS Holdings (Australia) Pty Limited			
AASB101.10(b), (ea), 10A, 51(b), (c)	**Statement of profit or loss and other comprehensive income for the year ended 30 June 2016**			**[Alt 1]**
AASB101.113		Notes	Year ended 30/06/16	Year ended 30/06/15
AASB101.51(d), (e)			$'000	$'000
	Continuing operations			
AASB101.82(a)	Revenue		140,918	151,840
AASB101.99	Cost of sales		(87,897)	(91,840)
AASB101.85	Gross profit		53,021	60,000
AASB101.85	Investment income		3,608	2,351
AASB101.85	Other gains and losses	5	647	1,005
AASB101.82(c)	Share of profits of associates and joint ventures		1,186	1,589
AASB101.85	Gain recognised on disposal of interest in former associate		581	-
AASB101.99	Distribution expenses		(5,087)	(4,600)
AASB101.99	Marketing expenses		(3,305)	(2,254)
AASB101.99	Occupancy expenses		(2,128)	(2,201)
AASB101.99	Administration expenses		(11,565)	(15,258)
AASB101.82(b)	Finance costs		(4,418)	(6,023)
AASB101.99	Other expenses		(2,801)	(2,612)
AASB101.85	Profit before tax		29 739	31,997
AASB101.82(d)	Income tax expense		(11,564)	(11,799)
AASB101.85	Profit for the year from continuing operations	9	18,175	20,198
	Discontinued operations			
AASB101.82(ea)	Profit for the year from discontinued operations	7	8,310	9,995
AASB101.81A(a)	**PROFIT FOR THE YEAR**		26,485	30,193
AASB101.91(a)	**Other comprehensive income, net of income tax**			
AASB101.82A(a)	**Items that will not be reclassified subsequently to profit or loss:**			
AASB101.82A(a)	Gain on revaluation of property		-	1,150
AASB101.82A(a)	Share of gain/(loss) on property revaluation of associates		-	-
AASB101.82A(a)	Remeasurement of defined benefit obligation		564	134
AASB101.82A(a)	Other [describe]		-	-
			564	1,284
AASB101.82A(b)	**Items that may be reclassified subsequently to profit or loss:**			
AASB101.82A(b)	Exchange differences on translating foreign operations		(39)	85
AASB101.82A(b)	Net fair value gain on available-for-sale financial assets		66	57
AASB101.82A(b)	Net fair value gain on hedging instruments entered into for cash flow hedges		39	20
AASB101.82A(b)	Other [describe]		-	-
			66	162
AASB101.81A(b)	Other comprehensive income for the year, net of income tax		630	1,446
AASB101.81A(c)	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		27,115	31,639

Source	SPFS Holdings (Australia) Pty Limited
AASB101.10A	**One statement vs. two statements** AASB 101 permits an entity to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Alt 1 above illustrates the presentation of profit or loss and other comprehensive income in one statement with expenses analysed by function. Alt 2 (see following pages) illustrates the presentation of profit or loss and other comprehensive income in two separate but consecutive statements with expenses analysed by nature. Whichever presentation approach is adopted, the distinction is retained between items recognised in profit or loss and items recognised in other comprehensive income. Under both approaches, profit or loss, total other comprehensive income, as well as comprehensive income for the period (being the total of profit or loss and other comprehensive income) should be presented. Under the two-statement approach, the separate statement of profit or loss ends at ‘profit for the year', and this ‘profit for the year' is then the starting point for the statement of profit or loss and other comprehensive income, which is required to be presented immediately following the statement of profit or loss.
AASB101.82A	**Other comprehensive income: items that may or may not be reclassified** Irrespective of whether the one-statement or the two-statement approach is followed, the items of other comprehensive income should be classified by nature and grouped into those that, in accordance with other AASBs: (a) will not be reclassified subsequently to profit or loss; and (b) will be reclassified subsequently to profit or loss when specific conditions are met.
AASB101.94	**Presentation options for reclassification adjustments** In addition, in accordance with paragraph 94 of AASB 101, an entity may present reclassification adjustments in the statement(s) of profit or loss and other comprehensive income or in the notes. In Alt 1 above, the reclassification adjustments have been presented in the notes. Alt 2 (see following pages) illustrates the presentation of the reclassification adjustments in the statement of profit or loss and other comprehensive income.
AASB101.91	**Presentation options for income tax relating to items of other comprehensive income** Furthermore, for items of other comprehensive income, additional presentation options are available as follows: the individual items of other comprehensive income may be presented net of tax in the statement of profit or loss and other comprehensive income (as illustrated on the previous pages), or they may be presented gross with a single line deduction for tax relating to those items by allocating the tax between the items that may be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to profit or loss section (see Alt 2). Whichever option is selected, the income tax relating to each item of other comprehensive income must be disclosed, either in the statement of profit or loss and other comprehensive income or in the notes (see note 24).

Source	SPFS Holdings (Australia) Pty Limited			
AASB101.10(b), (ea), 10A, 51(b), (c)	**Statement of profit or loss for the year ended 30 June 2016**			**[Alt 2]**
AASB101.113		Notes	Year ended 30/06/16	Year ended 30/06/15
AASB101.51(d), (e)			$'000	$'000
	Continuing operations			
AASB101.82(a)	Revenue		140,918	151,840
AASB101.85	Investment income		3,608	2,351
AASB101.85	Other gains and losses	5	647	1,005
AASB101.82(c)	Share of profits of associates and joint ventures		1,186	1,589
AASB101.85	Gain recognised on disposal of interest in former associate		581	-
AASB101.99	Changes in inventories of finished goods and work in progress		(7,134)	2,118
AASB101.99	Raw materials and consumables used		(70,391)	(85,413)
AASB101.99	Depreciation and amortisation expenses	9	(14,179)	(17,350)
AASB101.99	Employee benefits expense	9	(9,803)	(11,655)
AASB101.82(b)	Finance costs		(4,418)	(6,023)
AASB101.99	Consulting expense		(3,120)	(1,926)
AASB101.99	Other expenses		(8,156)	(4,539)
AASB101.85	Profit before tax		29,739	31,997
AASB101.82(d)	Income tax expense		(11,564)	(11,799)
AASB101.85	Profit for the year from continuing operations	9	18,175	20,198
	Discontinued operations			
AASB101.82(ea)	Profit for the year from discontinued operations	7	8,310	9,995
AASB101.81A(a)	**PROFIT FOR THE YEAR**		26,485	30,193

The format outlined above aggregates expenses according to their nature.
See the previous page for a discussion of the format of the statement of profit or loss and other comprehensive income. Note that where the two-statement approach is adopted (above and on the next page), as required by AASB 101.10A, the statement of profit or loss must be displayed immediately before the statement of profit or loss and other comprehensive income.

Source	SPFS Holdings (Australia) Pty Limited		
AASB101.10(b), (ea), 10A, 51(b), (c)	**Statement of profit or loss and other comprehensive income for the year ended 30 June 2016**		**[Alt 2]**
AASB101.113		Year ended 30/06/16	Year ended 30/06/15
AASB101.51(d), (e)		$'000	$'000
AASB101.10A	**Profit for the year**	26,485	30,193
	Other comprehensive income		
AASB101.82A(a)	**Items that will not be reclassified subsequently to profit or loss:**		
AASB101.82A(a)	Gain on revaluation of property	-	1,643
AASB101.82A(a)	Share of gain/(loss) on property revaluation of associates	-	-
AASB101.82A(a)	Remeasurement of defined benefit obligation	806	191
AASB101.82A(a)	Other [describe]	-	-
AASB101.91(b)	Income tax relating to items that will not be reclassified subsequently to profit or loss	(242)	(550)
		564	1,284
AASB101.82A(b)	**Items that may be reclassified subsequently to profit or loss:**		
AASB101.82A(b)	Exchange differences on translating foreign operations		
AASB101.82A(b)	Exchange differences arising during the year	75	121
AASB101.82A(b)	Loss on hedging instruments designated in hedges of the net assets of foreign operations	(12)	-
AASB101.82A(b)	Reclassification adjustments relating to foreign operations disposed of in the year	(166)	-
AASB101.82A(b)	Reclassification adjustments relating to hedges of the net assets of foreign operations disposed of in the year	46	-
		(57)	121
AASB101.82A(b)	Available-for-sale financial assets		
AASB101.82A(b)	Net fair value gain on available-for-sale financial assets during the year	94	81
AASB101.82A(b)	Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	-	-
		94	81
AASB101.82A(b)	Cash flow hedges		
AASB101.82A(b)	Fair value gains arising during the year	436	316
AASB101.82A(b)	Reclassification adjustments for amounts recognised in profit or loss	(123)	(86)
AASB101.82A(b)	Adjustments for amounts transferred to the initial carrying amounts of hedged items	(257)	(201)
		56	29
AASB101.82A(b)	Other [describe]	-	-
AASB101.91(b)	Income tax relating to items that may be reclassified subsequently to profit or loss	(27)	(69)
AASB101.81A(b)	Other comprehensive income for the year, net of income tax	630	1,446
AASB101.81A(c)	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**	27,115	31,639

Source	SPFS Holdings (Australia) Pty Limited
	Presentation of revenues and expenses
AASB101.81A	The statement of profit or loss and other comprehensive income (statement of comprehensive income) shall present, in addition to the profit or loss and other comprehensive income sections: (a) profit or loss; (b) total other comprehensive income; (c) comprehensive income for the period, being the total of profit or loss and other comprehensive income. If an entity presents a separate statement of profit or loss it does not present the profit or loss section in the statement presenting comprehensive income.
AASB101.81B	An entity shall present the following items, in addition to the profit or loss and other comprehensive income sections, as allocation of profit or loss and other comprehensive income for the period: (a) profit or loss for the period attributable to: (i) non-controlling interests; and (ii) owners of the parent; and (b) total comprehensive income for the period attributable to: (i) non-controlling interests; and (ii) owners of the parent. If an entity presents profit or loss in a separate statement it shall present (a) in that statement.
AASB101.82	In addition to items required by other Australian Accounting Standards, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period: (a) revenue; (b) finance costs; (c) share of the profit or loss of associates and joint ventures accounted for using the equity method; (d) tax expense; (e) [deleted by the IASB] (ea) a single amount for the total of discontinued operations (see AASB 5). (f)-(i) [deleted by the IASB]
AASB101.82A	The other comprehensive income section shall present line items for amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other Australian Accounting Standards: (a) will not be reclassified subsequently to profit or loss; and (b) will be reclassified subsequently to profit or loss when specific conditions are met.
AASB101.88	All items of income and expense recognised in a period are to be included in profit or loss unless another Accounting Standard requires otherwise. Other Accounting Standards require some gains and losses (for example, revaluation increases and decreases, particular foreign exchange differences, gains or losses on remeasuring available-for-sale financial assets, and related amounts of current tax and deferred tax) to be recognised directly as changes in equity. Examples of items of income and expense recognised directly in equity not illustrated in these model financial statements include: • gain/losses on a hedge of the net investment in a foreign operation • transfers to profit or loss on impairment of available-for-sale financial assets • transfer to profit or loss on sale of available-for-sale financial assets • share of increments in reserves attributable to associates • share of increments in reserves attributable to joint ventures.
AASB101.99, 100	An entity shall present, in the statement(s) of profit or loss and other comprehensive income or in the notes, an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. Sub-classifications of expenses by nature or function have been illustrated in the example on the face of the statement(s) presenting profit or loss and other comprehensive income respectively as is encouraged by the Accounting Standard.

Source	SPFS Holdings (Australia) Pty Limited
AASB101.105	The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, management is required to select the more relevant and reliable presentation. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used.
AASB101.29, 30, 31	Regardless of whether expenses are classified by nature or by function, each material class is separately disclosed. Unclassified expenses that are immaterial both individually and in aggregate may be combined and presented as a single line item. An item that is not sufficiently material to warrant separate presentation on the face of the financial statements may nevertheless be sufficiently material for it to be presented separately in the notes. It follows that the total of unclassified expenses is unlikely to exceed 10% of total expenses classified by nature or by function, whether disclosed either on the face or in the notes to the financial statements.
	Offsetting
AASB101.32	An entity shall not offset income and expenses, unless required or permitted by an Australian Accounting Standard.
AASB101.34	An entity undertakes, in the course of its ordinary activities, transactions that do not generate revenue but are incidental to the main revenue-generating activities. An entity presents the results of such transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example: (a) an entity presents gains and losses on the disposal of non-current assets, including investments and operating assets, by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; and (b) an entity may net expenditure related to a provision that is recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) against the related reimbursement.
AASB101.35	An entity presents on a net basis gains and losses arising from a group of similar transactions, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. However, an entity presents such gains and losses separately if they are material.
	Disclosure of specific revenues and expenses
AASB101.97	When items of income and expense are material, an entity shall disclose their nature and amount separately either in the statement(s) of profit or loss and other comprehensive income or in the notes.
	Disclosure of additional information
AASB101.85	An entity shall present additional line items, headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income, when such presentation is relevant to an understanding of the entity's financial performance.
	Prohibition on extraordinary items
AASB101.87	An entity shall not present any items of income or expense as extraordinary items, in the statement(s) presenting profit or loss and other comprehensive income or in the notes.

Source	SPFS Holdings (Australia) Pty Limited				
AASB101.10(a), (ea), (f), 51(b), (c)	**Statement of financial position at 30 June 2016**				
AASB101.113 AASB101.51(d), (e)		Notes	30/06/16 $'000	30/06/15 $'000 (restated)	01/07/14 $'000 (restated)
	Assets				
AASB101.60	*Current assets*				
AASB101.54(i)	Cash and bank balances	29	23,446	19,778	9,082
AASB101.54(h)	Trade and other receivables	10	19,735	16,292	14,002
AASB101.55	Finance lease receivables		198	188	182
AASB101.54(d)	Other financial assets	11	8,882	7,009	5,609
AASB101.54(g)	Inventories	12	28,213	25,982	26,688
AASB101.54(n)	Current tax assets		-	-	-
AASB101.55	Other assets	16	-	-	-
			80,474	69,249	55,563
AASB101.54(j)	Assets classified as held for sale	8	22,336	-	-
	Total current assets		102,810	69,249	55,563
AASB101.60	*Non-current assets*				
AASB101.54(e)	Investments in associates and joint ventures	13	7,402	7,270	5,706
AASB101.55	Finance lease receivables		830	717	739
AASB101.54(d)	Other financial assets	11	10,771	9,655	7,850
AASB101.54(a)	Property, plant and equipment	14	109,783	134,211	161,058
AASB101.54(b)	Investment property		4,936	4,642	3,170
AASB101.54(o)	Deferred tax assets	6	-	-	-
AASB101.55	Goodwill		20,285	24,060	23,920
AASB101.54(c)	Other intangible assets	15	9,739	11,325	12,523
AASB101.55	Other assets	16	-	-	-
	Total non-current assets		163,746	191,880	214,966
	Total assets		266,556	261,129	270,529

AASB101.10(f), 40A

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:

(a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and
(b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the third statement of financial position.

AASB101.40C

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.

In this model, despite the fact that the application of the amendments to AASBs and Interpretations has not resulted in any retrospective restatement or reclassification of items in the Company's financial statements (see note 2), a third statement of financial position has been presented for illustrative purposes only.

Source	SPFS Holdings (Australia) Pty Limited				
	Statement of financial position at 30 June 2016 – continued				
		Notes	30/06/16 $'000	30/06/15 $'000 (restated)	01/07/14 $'000 (restated)
	Liabilities				
AASB101.60	*Current liabilities*				
AASB101.54(k)	Trade and other payables	17	16,373	20,679	52,750
AASB101.55	Borrowings	18	27,716	31,468	38,528
AASB101.54(m)	Other financial liabilities	19	116	18	-
AASB101.54(n)	Current tax liabilities		-	-	-
AASB101.54(l)	Provisions	20	3,356	3,195	2,235
AASB101.55	Deferred revenue	21	355	52	63
AASB101.55	Other liabilities	22	90	95	-
			48,006	55,507	93,576
AASB101.54(p)	Liabilities directly associated with assets classified as held for sale	8	3,684	-	-
	Total current liabilities		51,690	55,507	93,576
AASB101.60	*Non-current liabilities*				
AASB101.55	Borrowings	18	20,221	31,478	28,014
AASB101.54(m)	Other financial liabilities	19	15,001	-	-
AASB101.55	Retirement benefit obligation		508	893	739
AASB101.54(o)	Deferred tax liabilities		4,646	3,693	2,593
AASB101.54(l)	Provisions	20	2,294	2,231	4,102
AASB101.55	Deferred revenue	21	219	95	41
AASB101.55	Other liabilities	22	180	270	-
	Total non-current liabilities		43,069	38,660	35,489
	Total liabilities		94,759	94,167	129,065
	Net assets		171,797	166,962	141,464
	Equity				
	Capital and reserves				
AASB101.55	Issued capital	23	33,246	49,479	49,479
AASB101.55	Reserves	24	3,430	2,569	919
AASB101.55	Retained earnings	25	135,121	114,914	91,066
			171,797	166,962	141,464
AASB101.55	Amounts recognised directly in equity relating to assets classified as held for sale	8	-	-	-
	Total equity		171,797	166,962	141,464

Source	SPFS Holdings (Australia) Pty Limited

Current/non-current vs. liquidity presentation

AASB101.60, 61

All assets and all liabilities shall be classified and presented as either current or non-current unless they are presented in order of their liquidity. The term ‘current’ is defined for:

AASB101.66

(a) assets, as an asset that is:
  (i) expected to be realised in, or is intended for sale or consumption in, the entity’s normal operating cycle;
  (ii) held primarily for the purpose of being traded;
  (iii) expected to be realised within 12 months after the reporting period; or
  (iv) cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period;

AASB101.69

(b) liabilities, as a liability that:
  (i) is expected to be settled in the entity’s normal operating cycle;
  (ii) is held primarily for the purpose of being traded;
  (iii) is due to be settled within 12 months after the end of the reporting period; or
  (iv) the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

AASB101.60

A liquidity basis shall only be presented where a liquidity presentation provides information that is reliable and more relevant than the current/non-current presentation. The liquidity basis of presentation is not illustrated in these model financial statements.

Operating cycle

AASB101.68

A company’s operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Once an entity defines their operating cycle it affects the classification and presentation of assets and liabilities as either current or non-current.

AASB101.68, 70

When an entity’s normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.

AASB101.66, 69

However, where there is a single clearly identifiable operating cycle that extends over a period greater than 12 months, the longer period shall be used as the basis for identifying as:

(a) current assets, those assets expected to be realised in, or intended for sale or consumption in, the entity’s normal operating cycle; and
(b) current liabilities, those liabilities expected to be settled in the entity’s normal operating cycle.

AASB101.68, 70

Current assets will include inventories and trade receivables that are sold, consumed or realised as part of the normal operating cycle and current liabilities will include those liabilities that form part of the working capital used in a normal operating cycle of the entity, for example trade payables and accruals for employee benefits expense. This is the case even when they are not expected to be realised/settled within 12 months of the reporting period.

Refinancing liabilities

AASB101.72

Where current and non-current liabilities are presented separately, financial liabilities shall be categorised as current when they are due to be settled within 12 months of the reporting period, even if:

(a) the original term was for a period longer than 12 months; and
(b) an agreement to refinance, or to reschedule payments, on a long term basis is completed after the reporting period and before the financial statements are authorised for issue.

Source	SPFS Holdings (Australia) Pty Limited
AASB101.73	However, if an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no arrangement for refinancing), the entity does not consider the potential to refinance the obligation and classifies the obligation as current.
	Breach of loan covenants
AASB101.74	When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender has agreed, after the reporting period, and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have an unconditional right to defer its settlement for at least 12 months after that date.
AASB101.75	However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least 12 months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.
	Offsetting
AASB101.32	An entity shall not offset assets and liabilities, unless required or permitted by an Accounting Standard, for example, AASB 132 ‘Financial Instruments: Presentation’.

Source	SPFS Holdings (Australia) Pty Limited
AASB101. 10(c), (ea), 51(b), (c), (d), (e) 106, 106A	**Statement of changes in equity for the year ended 30 June 2016**

	Share capital	Properties revaluation reserve	Investments revaluation reserve	Contributions reserve	Cash flow hedging reserve	Foreign currency translation reserve	Option premium on convertible notes	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2014 (as previously reported)	49,479	51	470	-	258	140	-	91,066	141,464
Adjustments (see note 2.1)	-	-	-	-	-	-	-	-	-
Balance at 1 July 2014	49,479	51	470	-	258	140	-	91,066	141,464
Profit for the year	-	-	-	-	-	-	-	30,193	30,193
Other comprehensive income for the year, net of income tax	-	1,150	57	-	20	85	-	134	1,446
Total comprehensive income for the year	-	1,150	57	-	20	85	-	30,327	31,639
Payment of dividends	-	-	-	-	-	-	-	(6,479)	(6,479)
Recognition of share-based payments	-	-	-	338	-	-	-	-	338
Balance at 30 June 2015	49,479	1,201	527	338	278	225	-	114,914	166,962
Profit for the year	-	-	-	-	-	-	-	27,049	27,049
Other comprehensive income for the year, net of income tax	-	-	66	-	39	(39)	-	-	66
Total comprehensive income for the year	-	-	66	-	39	(39)	-	27,049	27,115
Recognition of share-based payments	-	-	-	206	-	-	-	-	206
Payment of dividends	-	-	-	-	-	-	-	(6,635)	(6,635)
Issue of ordinary shares under employee share option plan	314	-	-	-	-	-	-	-	314
Issue of ordinary shares for consulting services performed	8	-	-	-	-	-	-	-	8
Issue of convertible non-participating preference shares	100	-	-	-	-	-	-	-	100
Issue of convertible notes	-	-	-	-	-	-	834	-	834
Share issue costs	(6)	-	-	-	-	-	-	-	(6)
Buy-back of ordinary shares	(16,456)	-	-	-	-	-	-	(555)	(17,011)
Share buy-back costs	(277)	-	-	-	-	-	-	-	(277)
Transfer to retained earnings	-	(3)	-	-	-	-	-	3	-
Income tax relating to transactions with owners	84	-	-	-	-	-	(242)	-	(158)
Other [describe]	-	-	-	-	-	-	-	345	345
Balance at 30 June 2016	33,246	1,198	593	544	317	186	592	135,121	171,797

Source	SPFS Holdings (Australia) Pty Limited
AASB101.106	An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information: (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests; (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and (c) [deleted by the IASB] (d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from: (i) profit or loss; (ii) other comprehensive income; and (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.
AASB101.106A	For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 106(d)(ii)).
AASB101.107, BC75	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. (Note that presentation of dividend disclosures in the statement of comprehensive income is no longer permitted.)
AASB101.109	Changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with owners in their capacity as owners (such as equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expense, including gains and losses, generated by the entity's activities during that period.

Source	SPFS Holdings (Australia) Pty Limited			
AASB101.10(d), (ea), 51(b), (c)	**Statement of cash flows for the year ended 30 June 2016**			**[Alt 1]**
AASB101.113		Notes	Year ended 30/06/16	Year ended 30/06/15
AASB101.51(d), (e)			$'000	$'000
AASB107.10	**Cash flows from operating activities**			
AASB107.18(a)	Receipts from customers		211,032	214,487
	Payments to suppliers and employees		(165,221)	(181,488)
	Cash generated from operations		45,811	32,999
AASB107.31	Interest paid		(4,493)	(6,106)
AASB107.35	Income taxes paid to head entity for tax funding agreement		(13,848)	(13,340)
	Net cash generated by operating activities		27,470	13,553
AASB107.10	**Cash flows from investing activities**			
	Payments to acquire financial assets		(3,163)	(2,163)
	Proceeds on sale of financial assets		938	1,712
AASB107.31	Interest received		2,315	1,304
	Royalties and other investment income received		1,137	893
	Dividends received from associates		30	25
AASB107.31	Other dividends received		156	154
	Amounts advanced to related parties		(738)	(4,311)
	Repayments by related parties		189	1,578
	Payments for property, plant and equipment		(22,932)	(11,875)
	Proceeds from disposal of property, plant and equipment		11,462	21,245
	Payments for investment property		(10)	(12)
	Proceeds from disposal of investment property		-	58
	Payments for intangible assets		(6)	(358)
AASB107.39	Net cash outflow on acquisition of businesses	27	(477)	-
AASB107.39	Net cash inflow on disposal of businesses	28	7,566	-
	Net cash inflow on disposal of associates		-	-
	Net cash (used in)/generated by investing activities		(3,533)	8,250
AASB107.10	**Cash flows from financing activities**			
	Proceeds from issue of equity instruments of the Company		-	-
	Proceeds from issue of convertible notes		4,950	-
	Payment for share issue costs		-	-
	Payment for share buy-back		(16,595)	-
	Payment for share buy-back costs		(277)	-
	Proceeds from issue of redeemable preference shares		15,000	-
	Proceeds from issue of perpetual notes		2,500	-
	Payment for debt issue costs		(595)	-
	Proceeds from borrowings		17,122	26,798
	Repayment of borrowings		(37,761)	(23,209)
	Proceeds from government loans		2,610	-
AASB107.31	Dividends paid on redeemable preference shares		(613)	-
AASB107.31	Dividends paid to owners of the Company		(6,515)	(6,369)
	Net cash used in financing activities		(20,174)	(2,780)
	Net increase in cash and cash equivalents		3,763	19,023
	Cash and cash equivalents at the beginning of the year		19,400	561
AASB107.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(80)	(184)
	Cash and cash equivalents at the end of the year	29	23,083	19,400

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

Source	SPFS Holdings (Australia) Pty Limited			
AASB101.10(d), (ea), 51(b), (c)	**Statement of cash flows for the year ended 30 June 2016**			**[Alt 2]**
AASB101.113		Notes	Year ended 30/06/16	Year ended 30/06/15
AASB101.51(d), (e)			$'000	$'000
AASB107.10	**Cash flows from operating activities**			
AASB107.18(b)	Profit for the year		26,485	30,193
	Adjustments for:			
	Income tax expense recognised in profit or loss		14,088	14,797
	Share of profits of associates and joint ventures		(1,186)	(1,589)
	Finance costs recognised in profit or loss		4,418	6,023
	Investment income recognised in profit or loss		(3,608)	(2,351)
	Gain on disposal of property, plant and equipment		(6)	(67)
	Gain arising on changes in fair value of investment property		(297)	(8)
	Gain on disposal of business		(1,940)	-
	Gain on disposal of interest in former associate		(581)	-
	Net (gain)/loss arising on financial liabilities designated as at fair value through profit or loss		(125)	-
	Net (gain)/loss arising on financial assets classified as held for trading		(156)	(72)
	Hedge ineffectiveness on cash flow hedges		(89)	(68)
	Net (gain)/loss on disposal of available-for-sale financial assets		-	-
	Impairment loss recognised on trade receivables		63	430
	Reversal of impairment loss on trade receivables		(103)	-
	Depreciation and amortisation of non-current assets		14,179	17,350
	Impairment of non-current assets		1,439	-
	Net foreign exchange (gain)/loss		(101)	117
	Amortisation of financial guarantee contracts		6	18
	Gain arising on effective settlement of claim against the distribution business		(40)	-
			52,446	64,773
	Movements in working capital			
	Increase in trade and other receivables		(2,167)	(1,446)
	(Increase)/decrease in inventories		(4,734)	204
	(Increase)/decrease in other assets		(34)	(20)
	Decrease in trade and other payables		(183)	(29,979)
	Increase/(decrease) in provisions		151	(941)
	(Decrease)/increase in deferred revenue		427	43
	(Decrease)/increase in other liabilities		(95)	365
	Cash generated from operations		45,811	32,999
AASB107.31	Interest paid		(4,493)	(6,106)
AASB107.35	Income taxes paid to head-entity for tax funding agreement		(13,848)	(13,340)
	Net cash generated by operating activities		27,470	13,553

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

Source	SPFS Holdings (Australia) Pty Limited			
	Statement of cash flows for the year ended 30 June 2016 - continued			**[Alt 2 continued]**
		Notes	Year ended 30/06/16 $'000	Year ended 30/06/15 $'000
AASB107.10	**Cash flows from investing activities**			
	Payments to acquire financial assets		(3,163)	(2,163)
	Proceeds on sale of financial assets		938	1,712
AASB107.31	Interest received		2,315	1,313
	Royalties and other investment income received		1,137	884
	Dividends received from associates		30	25
AASB107.31	Other dividends received		156	154
	Amounts advanced to related parties		(738)	(4,311)
	Repayments by related parties		189	1,578
	Payments for property, plant and equipment		(22,932)	(11,875)
	Proceeds from disposal of property, plant and equipment		11,462	21,245
	Payments for investment property		(10)	(12)
	Proceeds from disposal of investment property		-	58
	Payments for intangible assets		(6)	(358)
AASB107.39	Net cash outflow on acquisition of businesses	27	(477)	-
AASB107.39	Net cash inflow on disposal of businesses	28	7,566	-
	Net cash inflow on disposal of associate		-	-
	Net cash (used in)/generated by investing activities		(3,533)	8,250
AASB107.10	**Cash flows from financing activities**			
	Proceeds from issue of equity instruments of the Company		-	-
	Proceeds from issue of convertible notes		4,950	-
	Payment for share issue costs		-	-
	Payment for buy-back of shares		(16,595)	-
	Payment for share buy-back costs		(277)	-
	Proceeds from issue of redeemable preference shares		15,000	-
	Proceeds from issue of perpetual notes		2,500	-
	Payment for debt issue costs		(595)	-
	Proceeds from borrowings		17,122	26,798
	Repayment of borrowings		(37,761)	(23,209)
	Proceeds from government loans		2,610	-
AASB107.31	Dividends paid on redeemable cumulative preference shares		(613)	-
AASB107.31	Dividends paid to owners of the Company		(6,515)	(6,369)
	Net cash used in financing activities		(20,174)	(2,780)
	Net increase in cash and cash equivalents		3,763	19,023
	Cash and cash equivalents at the beginning of the year		19,400	561
AASB107.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(80)	(184)
	Cash and cash equivalents at the end of the year	29	23,083	19,400

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

Source	SPFS Holdings (Australia) Pty Limited
AASB107.14	**Operating activities** Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss. Examples of cash flows from operating activities are: (a) cash receipts from the sale of goods and the rendering of services; (b) cash receipts from royalties, fees, commissions and other revenue; (c) cash payments to suppliers for goods and services; (d) cash payments to and on behalf of employees; (e) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits; (f) cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities; and (g) cash receipts and payments from contracts held for dealing or trading purposes. Some transactions, such as the sale of an item of plant, may give rise to a gain or loss that is included in recognised profit or loss. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of AASB 116 'Property, Plant and Equipment' are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.
AASB107.18	Entities shall report cash flows from operations using the direct method or indirect method.
AASB107.19	Entities are encouraged to report cash flows from operating activities using the direct method.
AASB1054.16	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).
AASB107.16	**Investing activities** The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are: (a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment; (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets; (c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes); (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes); (e) cash advances and loans made to other parties (other than advances and loans made by a financial institution); (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution); (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities. When a contract is accounted for as a hedge of an identifiable position, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

Source	SPFS Holdings (Australia) Pty Limited
AASB107.17	**Financing activities** The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are: (a) cash proceeds from issuing shares or other equity instruments; (b) cash payments to owners to acquire or redeem the entity's shares; (c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings; (d) cash repayments of amounts borrowed; and (e) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.
AASB107.31	**Interest and dividends** Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.
AASB107.32	The total amount of interest paid during a period is disclosed in the statement of cash flows whether it has been recognised as an expense in profit or loss or capitalised in accordance with AASB 123 'Borrowing Costs'.
AASB107.33	Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of net profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.
AASB107.34	Dividends paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows.
AASB107.35	**Taxes on income** Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.
AASB107.37	**Investments in subsidiaries, associates and joint ventures** When accounting for an investment in an associate or a subsidiary accounted for by use of the equity or cost method, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.
AASB107.38	An entity that reports its interest in an associate or a joint venture using the equity method includes in its statement of cash flows the cash flows in respect of its investments in the associate or joint venture, and distributions and other payments or receipts between it and the associate or joint venture.
AASB107.43	**Non-cash transactions** Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

Source	SPFS Holdings (Australia) Pty Limited

AASB101.10(e), (ea)

1. General information

AASB101.138(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 GAAP Holdings (Australia) Limited. Its ultimate parent entity is X Holdings Limited. The addresses of its registered office and principal place of business are as follows:

AASB101.138(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	

AASB101.138(b)

The entity's principal activities are the manufacture of electronic equipment and leisure goods, and the construction and renovation of residential properties.

AASB101.138(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.

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.'

2. Application of new and revised Accounting Standards

AASB108.28(a)-(d)

2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied two amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	The amendments to AASB 128 align the relief available in AASB 10 and AASB 128 in respect of the financial reporting requirements for Australian groups with a foreign parent. The amendments require that the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Company's financial statements.

.

Source	SPFS Holdings (Australia) Pty Limited

2. Application of new and revised Accounting Standards (cont'd)

Changes in accounting policies on initial application of Accounting Standards

AASB108.28

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:

(a) the title of the Accounting Standard;

(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) the nature of the change in accounting policy;

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

  (i) for each financial statement line item affected; and

  (ii) if AASB 133 'Earnings per Share' applies to the entity, for basic and diluted earnings per share;

(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(h) 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.

Voluntary changes in accounting policies

AASB108.29

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:

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

  (i) for each financial statement line item affected; and

  (ii) if AASB 133 'Earnings per Share' applies to the entity, for basic and diluted earnings per share;

(d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(e) 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.

AASB108.20

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.

Source	SPFS Holdings (Australia) Pty Limited

2. Application of new and revised Accounting Standards (cont'd)

2.2 Standards and Interpretations in issue not yet adopted

AASB108.30, 31

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

AASB108.30

When an entity has not applied a new Accounting Standard that has been issued but is not yet effective, the entity shall disclose:
(a) this fact; and
(b) 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.

AASB108.31

In complying with the requirements above, an entity considers disclosing:
(a) the title of the new Accounting Standard;
(b) the nature of the impending change or changes in accounting policy;
(c) the date by which application of the Accounting Standard is required;
(d) the date as at which it plans to apply the Accounting Standard initially; and
(e) either:
  i. a discussion of the impact that initial application of the Accounting Standard is expected to have on the entity's financial report; or
  ii. if that impact is not known or reasonably estimable, a statement to that effect.

AASB108.31(a), (c), (d)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017

Source	SPFS Holdings (Australia) Pty Limited

2. Application of new and revised Accounting Standards (cont'd)

AASB108.31(a), (c), (d)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

Note that the following new Standards and Interpretations are not applicable for the Company but are relevant for the period:

AASB 14 'Regulatory Deferral Accounts' and AASB 2014-1 'Amendments to Australian Accounting Standards – Part D: 'Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts' is not applicable to the Company as the Company is not a first-time adopter of Australian Accounting Standards.

AASB 1056 'Superannuation Entities' is not applicable to the Company as the Company is not a superannuation entity.

AASB 2015-6 'Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities' is not applicable to the Company as the Company is a for-profit entity.

AASB 2015-7 'Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector' is not applicable to the Company as the Company is a for-profit entity.

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019

Source	SPFS Holdings (Australia) Pty Limited

2. Application of new and revised Accounting Standards (cont'd)

Example disclosures

Having completed assessment of the impact of the various pronouncements in issue but not yet effective, the following example disclosures should be **tailored as appropriate** for the entity. In some cases, an entity may not yet have determined the impact and therefore may state "The potential effect of the revised Standards/Interpretations on the Company's financial statements has not yet been determined."

AASB108.30(a), (b)

A. Impact of changes to Australian Accounting Standards and Interpretations

Where Standards or Interpretations in issue but not yet effective will result in changes in recognition or measurement, the following wording should be **tailored as appropriate** to reflect the amendments affecting the entity. For example, where AASB 14 is not relevant to the entity, it is not necessary to include explanations about the pronouncement:

"A number of Australian Accounting Standards and Interpretations [and IFRSs and IFRIC Interpretations] are in issue but are not effective for the current year end. The following existing Company accounting policies will change on adoption of these pronouncements:

AASB108.30, 31

<u>AASB 9 'Financial Instruments', and the relevant amending standards</u>

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in December 2013 to include the new requirements for general hedge accounting. Another revised version of AASB 9 was issued in December 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of AASB 9:

- all recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented 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. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139 'Financial Instruments: Recognition and Measurement', the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Source	SPFS Holdings (Australia) Pty Limited

2. Application of new and revised Accounting Standards (cont'd)

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in AASB 139. Under AASB 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  AASB 9 applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until the Company undertakes a detailed review.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue,' AASB 111 'Construction Contracts' and the related Interpretations when it becomes effective.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

AASB 15 applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 15 until the Company performs a detailed review.

AASB 16 'Leases'

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

AASB 16 applies to annual periods beginning on or after 1 January 2019. The directors of the Company anticipate that the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Company performs a detailed review.

Source	SPFS Holdings (Australia) Pty Limited

2. Application of new and revised Accounting Standards (cont'd)

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

The amendments to AASB 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in AASB 3 'Business Combinations'. Specifically, the amendments state that the relevant principles on accounting for business combinations in AASB 3 and other standards (e.g. AASB 112 'Income Taxes' regarding the recognition of deferred taxes at the time of acquisition and AASB 136 'Impairment of Assets' regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by AASB 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in AASB 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to AASB 11 may have an impact on the Company's financial statements in future periods should such transactions arise.

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

The amendments to AASB 116 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to AASB 116 and AASB 138 will have a material impact on the Company's financial statements.

AASB 2014-6 'Amendments to Australian Accounting Standards − Agriculture: Bearer Plants'

The amendments to AASB 116 and AASB 141 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with AASB 116, instead of AASB 141. The produce growing on bearer plants continues to be accounted for in accordance with AASB 141.

The amendments apply for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to AASB 116 and AASB 141 will have a material impact on the Company's financial statements as the Company is not engaged in agricultural activities.

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

The amendments to AASB 127 allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to AASB 127 will have a material impact on the parent entity financial information as the Company does not intend to change its accounting policy.

Source	SPFS Holdings (Australia) Pty Limited

2. Application of new and revised Accounting Standards (cont'd)

AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' and AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'

The amendments to AASB 10 and AASB 128 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments apply to transactions occurring in annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of these amendments to AASB 10 and AASB 128 may have an impact on the Company's financial statements in future periods should such transactions arise.

AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'

The Annual Improvements to Australian Accounting Standards 2012-2014 Cycle include a number of amendments to various AASB's, which are summarised below.

The amendments to AASB 5 introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held for distribution accounting is discontinued.

The amendments to AASB 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to AASB 119 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The amendments apply to annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Company's financial statements.

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

The amendments to AASB 101 give some guidance on how to apply the concept of materiality in practice.

The amendments apply to annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to AASB 101 will have a material impact on the Company's financial statements.

Source	SPFS Holdings (Australia) Pty Limited

2. Application of new and revised Accounting Standards (cont'd)

AASB 2015-5 'Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception'

The amendments to AASB 10, AASB 12 and AASB 128 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with AASB 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to AASB 10, AASB 12 and AASB 128 will have a material impact on the Company's financial statements as the Company is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'

Amends AASB 112 'Income Taxes' to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments apply to annual periods beginning on or after 1 January 2017. The directors of the Company do not anticipate that the application of these amendments to will have a material impact on the Company's financial statements.

AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'

Amends AASB 107 'Statement of Cash Flows' to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments apply to annual periods beginning on or after 1 January 2017. The directors of the Company do not anticipate that the application of these amendments to will have a material impact on the Company's financial statements."

B. No impact on recognition or measurement of changes to Australian Accounting Standards and Interpretations

Where none of the Standards or Interpretations in issue but not yet effective will result in changes in recognition or measurement, the example wording could be collapsed into the following paragraph. This wording should be tailored as appropriate:

"A number of Australian Accounting Standards and Interpretations [and IFRSs and IFRIC Interpretations] are in issue but are not effective for the current year end. The reported results and position of the Company will not change on adoption of these pronouncements as they do not result in any changes to the Company's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The Company does not intend to adopt any of these pronouncements before their effective dates."

The disclosures set out above regarding adoption of Standards and Interpretations not yet effective reflect a cut-off date of 31 March 2015. The potential impact of any new or revised Standards and Interpretations issued by the Australian Accounting Standards Board and International Accounting Standards Board after that date, but before the issue of the financial statements, should also be considered and disclosed.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies

AASB101.112(a), 117, 119-121

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.

3.1 Financial reporting framework

AASB1054.7, 8
APES205

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.

For the purposes of preparing the financial statements, the Company is a for-profit entity.

3.2 Statement of compliance

AASB1054.8, 9
APES205

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

AASB1054.7, 8
APES205

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]

Accounting Standards and Interpretations should not be listed where:

(a) 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

(b) 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.

Compliance with International Financial Reporting Standards ('IFRS')

AASB101.16

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.

Presentation of consolidated financial statements

APES205

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.

Source	SPFS Holdings (Australia) Pty Limited
	3. Significant accounting policies (cont'd)
	3.3 Basis of preparation
AASB101.17(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 117, 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; and • Level 3 inputs are unobservable inputs for the asset or liability.
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.
ASIC-CI 2016/191, AASB101.51(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.
	Early adoption of Accounting Standards The following disclosure is recommended 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 2011, the election must be made in writing by directors.
AASB101.17(b), 112(a), 117(b)	The principal accounting policies are set out below.
AASB101.25	**Going concern basis** 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

AASB101.25

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.

Example accounting policies

The following illustrations are quoted by way of example only, and do not necessarily represent the only treatment which may be appropriate for the item concerned and does not cover all items that shall be considered for inclusion in the summary of accounting policies.

For example, an entity may elect:

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;

to recognise investments on settlement date or on trade date;

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;

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);

- to measure intangible assets after initial recognition on either the cost or revaluation (fair value) basis, where conditions for doing so are met;
- to measure investment property under either the cost model or the fair value model;
- to classify and account for property interests held under operating leases as investment properties on a property-by-property basis;
- to account for government grants in the form of a non-monetary asset at a nominal amount;
- to present government grants related to assets as a deduction from the carrying amount of the asset;
- to deduct government grants received and recognised in the statement of profit or loss and other comprehensive income in reporting the related expense; or
- 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;
- biological assets or agricultural produce; or
- exploration and evaluation activities.

3.4 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; and
- 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

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 139 'Financial Instrument: Recognition and Measurement', 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.

3.5 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 3.4 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 3.6 below.

3.6 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

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. 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.

The requirements of AASB 139 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 139. 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

When a company entity 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.

3.7 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; and
- 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 AASBs applicable to the particular assets, liabilities, revenues and expenses.

When the company entity 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 a company entity 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.

3.8 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	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

3.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

3.9.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Company's Maxi-Points Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

3.9.2 Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

The Company's policy for recognition of revenue from construction contracts is described at 3.10 below.

3.9.3 Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

3.9.4 Dividend and interest 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).

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.9.5 Rental income

The Company's policy for recognition of revenue from operating leases is described in 3.11.1 below.

3.10 Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade and other receivables.

3.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.11.1 The Company as lessor

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.

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.

3.11.2 The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see 3.13 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.12 Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity 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 entity'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); and
- 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

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.

3.13 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.

3.14 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 entity is recognised in accordance with the accounting policies above.

3.15 Employee benefits

3.15.1 Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

3.15.2 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.

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; and
- 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.

3.15.3 Termination benefit

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

3.15.4 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 entity 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 entity [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	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

3.16 Share-based payment

3.16.1 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, GAAP Holdings (Australia) Limited, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by GAAP Holdings (Australia) Limited. As GAAP Holdings (Australia) Limited does not require reimbursement for the cost of the grant, amounts relating to the grant are deemed a contribution by GAAP 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 entity 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.

3.16.2 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

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.

3.17 Taxation

The Company is part of a tax-consolidated group under Australian taxation law, of which GAAP Holdings (Australia) Limited is the head entity. As a result, SPFS Holdings (Australia) Pty Limited is subject to income tax through its membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including SPFS Holdings (Australia) Pty Limited) using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

The above example assumes that the tax funding arrangement mirrors the allocation process adopted within the tax-consolidated group, meaning that no contributions from (or distributions to) equity participants arise under Interpretation 1052 'Tax Consolidation Accounting'. Where this is not the case, the above wording should be amended to indicate how amounts payable and receivable under the tax funding arrangement are calculated. In this case, the following paragraph should be added in lieu of the final sentence of the paragraph immediately above:

Where the amount receivable or payable under the tax funding arrangement for a particular period is different to aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits allocated to the Company in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that the Company's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

3.17.1 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 Group or that have a different tax consequence at the level of the Group.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

3.17.2 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 Group or that have a different tax consequence at the level of the Group.

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.

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.

3.17.3 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

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.

Other acceptable allocation methods include:
(a) a 'stand alone taxpayer' approach for each entity, as if it continued to be a taxable entity in its own right; or
(b) a 'group allocation' approach, under which the current and deferred tax amounts for the tax-consolidated group are allocated among each entity in the group (subject to certain limitations).

Where the 'stand alone taxpayer' approach is adopted, the following accounting policy wording may be adopted:

The Company is part of a tax-consolidated group under Australian taxation law, of which GAAP Holdings (Australia) Limited is the head entity. As a result, SPFS Holdings (Australia) Pty Limited is subject to income tax through its membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including SPFS Holdings (Australia) Pty Limited) using the 'stand alone taxpayer' approach by reference to the carrying amounts in the financial statements of the company and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

The above example assumes that the tax funding arrangement mirrors the allocation process adopted within the tax-consolidated group, meaning that no contributions from (or distributions to) equity participants arise under Interpretation 1052. Where this is not the case, the above wording should be amended to indicate how amounts payable and receivable under the tax funding arrangement are calculated. In this case, the following paragraph should be added in lieu of the final sentence of the paragraph immediately above:

Where the amount receivable or payable under the tax funding arrangement for a particular period is different to aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits allocated to the Company in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Interpretation 1052 provides little guidance on how the 'group allocation method should be implemented. However, it does specifically note that the following 'group allocation' methods would not be considered 'acceptable methods' for the calculation of current and deferred taxes by members of the tax-consolidated group:

- a method that allocates only current tax liabilities to an entity in the group that has taxable temporary differences
- a method that allocated deferred taxes to an entity in the group using a method that is fundamentally different from the temporary difference approach required by AASB 112
- a method that allocates no current or deferred tax expense to an entity in the group that has taxable income because the tax-consolidated group has no current or deferred income tax expense
- a method that only allocates current taxes to entities in the group that have accounting profits, with no allocation to entities that have accounting losses
- a method that allocated current taxes to entities in the group on an arbitrary basis, for example on the basis of sales revenue, total assets, net assets or operating profits without adjustment for material items that are not assessable or deductible for tax purposes.

Where the 'group allocation' approach is adopted, the following accounting policy wording may be adapted to reflect the actual mechanics of the method adopted:

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

The Company is part of a tax-consolidated group under Australian taxation law, of which GAAP Holdings (Australia) Limited is the head entity. As a result, SPFS Holdings (Australia) Pty Limited is subject to income tax through its membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including SPFS Holdings (Australia) Pty Limited) using a 'group allocation' approach based on the allocation specified in the tax funding arrangement. The tax funding arrangement requires a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right, except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequence [amend as applicable]. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

The above example assumes that the tax funding arrangement mirrors the allocation process adopted within the tax-consolidated group, meaning that no contributions from (or distributions to) equity participants arise under Interpretation 1052. Where this is not the case, the above wording should be amended to indicate how amounts payable and receivable under the tax funding arrangement are calculated. In this case, the following paragraph should be added in lieu of the final sentence of the paragraph immediately above:

Where the amount receivable or payable under the tax funding arrangement for a particular period is different to aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits allocated to the Company in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

3.18 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

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 4.2.3. 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.

3.19 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.

3.20 Intangible assets

3.20.1 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.

3.20.2 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

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; and
- 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.

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.

3.20.3 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.

3.20.4 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.

3.21 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

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).

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).

3.22 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.

3.23 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.

3.23.1 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.

3.23.2 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 entity.

3.23.3 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

3.23.4 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'.

3.24 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.

3.24.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

3.24.1.1 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. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on 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 debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.24.1.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which AASB 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial asset is classified as 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 a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of 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 asset 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 Company'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 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in 3.24 above.

3.24.1.3 <u>Held-to-maturity investments</u>

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

3.24.1.4 <u>AFS financial assets</u>

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in 3.24 above. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

3.24.1.5 <u>Loans and receivables</u>

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

3.24.1.6 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for shares classified as available-for-sale.

For all other financial assets, including redeemable notes classified as available-for-sale and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

3.24.1.7 Derecognition of financial assets

The Company derecognises a financial asset 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 party. 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.24.2 Financial liabilities and equity instruments

3.24.2.1 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 arrangement.

3.24.2.2 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 a 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.

3.24.2.3 Compound instruments

The component parts of compound instruments (convertible bonds) 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 similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

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 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 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 notes using the effective interest method.

3.24.2.4 <u>Financial guarantee contract liabilities</u>

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 issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:
- the amount of the obligation under the contract, as determined in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out at 3.9.4 above.

3.24.2.5 <u>Financial liabilities</u>

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.24.2.6 <u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which AASB 3 applies, (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 incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of 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;
- 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 Company'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 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. 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. Fair value is determined in the manner described in 3.24 above.

3.24.2.7 Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.24.2.8 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.

3.25 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.

3.25.1 Embedded derivatives

Derivatives embedded in non-derivative host contracts 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.

3.25.2 Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either 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 entity 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 highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

3.25.3 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. 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.

3.25.4 Cash flow hedges

The effective portion of changes in the fair value of derivatives 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. 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 that is hedged 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 transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.25.5 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.

3.26 Goods and services tax

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

i. 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
ii. 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

3.27 Comparative amounts

AASB101.41, 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:
(a) the nature of the reclassification;
(b) the amount of each item or class of items that is reclassified; and
(c) the reason for the reclassification.
When it is impracticable to reclassify comparative amounts, an entity shall disclose:
(a) the reason for not reclassifying the amounts; and
(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

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:

(xx) 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.

(xx) 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:
(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:
  (a) 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
  (b) 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.

Source	SPFS Holdings (Australia) Pty Limited

3. Significant accounting policies (cont'd)

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.

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]*.

(xx) 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.

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.

AASB101.122

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), 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.

Source	SPFS Holdings (Australia) Pty Limited

4. Critical accounting judgments and key sources of estimation uncertainty (cont'd)

4.1.1 Revenue recognition

Expenditure was required during the year for rectification work carried out on goods supplied to one of the Company's major customers. These goods were delivered to the customer in the months of July 2015 to January 2016, and shortly thereafter the defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the Company until 2017. In the light of the problems identified, the directors were required to consider whether it was appropriate to recognise the revenue from these transactions of $19 million in the current year, in line with the Company'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 from the sale of goods set out in AASB 118 'Revenue' and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. 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 the significant risks and rewards have 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.

4.1.2 Held-to-maturity financial assets

The directors have reviewed the Company's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Company's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is $5.905 million (30 June 2015: $4.015 million). Details of these assets are set out in note 11.

4.1.3 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.

4.1.4 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	SPFS Holdings (Australia) Pty Limited

4. Critical accounting judgments and key sources of estimation uncertainty (cont'd)

AASB101.125, 129

4.2 Key sources of estimation uncertainty

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:

4.2.1 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 30 June 2016 with a carrying amount of $0.5 million (30 June 2015: $0.5 million).

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.

4.2.2 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 30 June 2016 was $20.3 million (30 June 2015: $24.1 million) after an impairment loss of $235,000 was recognised during 2016 (2015: nil).

4.2.3 Useful lives of property, plant and equipment

As described at 3.18 above, 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
2016	879
2017	607
2018	144
2019	102

4.2.4 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.

Source	SPFS Holdings (Australia) Pty Limited

4. Critical accounting judgments and key sources of estimation uncertainty (cont'd)

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.

AASB108.36

The effect of a change in an accounting estimate, shall be recognised prospectively by including it in profit or loss in:
(a) the period of the change, if the change affects that period only; or
(b) the period of the change and future periods, if the change affects both.

AASB108.37

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.

AASB108.39

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.

AASB108.40

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

AASB101.131

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.

5. Other gains and losses

Source		Year ended 30/06/16 $'000	Year ended 30/06/15 $'000
	Continuing operations		
AASB101.98(c)	Gain/(loss) on disposal of property, plant and equipment	6	67
AASB101.98(d)	Gain/(loss) on disposal of available-for-sale investments	-	-
	Cumulative gain/(loss) reclassified from equity on disposal of available-for-sale investments	-	-
	Cumulative loss reclassified from equity on impairment of available-for-sale investments	-	-
	Government grants received for staff re-training	451	880
	Net foreign exchange gains/(losses)	101	(117)
	Gain arising on effective settlement of legal claim against the distribution business (note 27)	40	-
	Net gain/(loss) arising on financial assets designated as at FVTPL	-	-
	Net gain/(loss) arising on financial liabilities designated as at FVTPL (i)	(488)	-
	Net gain/(loss) arising on financial assets classified as held for trading (ii)	202	99
	Net gain/(loss) arising on financial liabilities classified as held for trading (iii)	(51)	-
	Change in fair value of investment property	297	8
	Hedge ineffectiveness on cash flow hedges	89	68
	Hedge ineffectiveness on net investment hedges	-	-
		647	1,005

Source	SPFS Holdings (Australia) Pty Limited

5. Other gains and losses (cont'd)

(i) The net loss on these financial liabilities designated as at FVTPL includes a gain of $125,000 resulting from the decrease in fair value of the liabilities, offset by dividends of $613,000 paid during the year.

(ii) The amount represents a net gain on non-derivative held for trading financial assets and comprises an increase in fair value of $202,000 (2015: $99,000), including interest of $46,000 received during the year (2015: $27,000)

(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 $51,000 of the swap, including interest of $3,000 paid during the year.

No other gains or losses have been recognised in respect of loans and receivables or held-to-maturity investments and impairment losses recognised/reversed in respect of trade receivables (see notes 9 and 10).

AASB101.77

6. Deferred tax assets

	Year ended 30/06/16	Year ended 30/06/15
	$'000	$'000
Tax losses – revenue	-	-
Tax losses – capital	-	-
Foreign tax credits	-	-
Temporary differences	-	-
Other	-	-
	-	-

7. Discontinued operations

7.1 Disposal of toy manufacturing operations

AASB101.98(e)

On 31 March 2016, the Company entered into a sale agreement to dispose of its toy manufacturing 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 toy manufacturing operations is consistent with the Company's long-term policy to focus its activities in the electronic equipment and other leisure goods markets. The disposal was completed on 30 May 2016, on which date control of the toy manufacturing operations passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in note 28.

7.2 Plan to dispose of the bicycle business

AASB101.98(e)

On 30 May 2016, the directors announced a plan to dispose of the Company's bicycle business. The disposal is consistent with the Company's long-term policy to focus its activities in the electronic equipment and other leisure goods markets. The Company is actively seeking a buyer for its bicycle business and expects to complete the sale by 31 January 2017. The Company has not recognised any impairment losses in respect of the bicycle business, neither when the assets and liabilities of the operation were reclassified as held for sale nor at the end of the reporting period.

7.3 Analysis of profit for the year from discontinued operations

AASB101.97, 98(e)

The combined results of the discontinued operations (i.e. toy and bicycle businesses) included in the profit 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.

Source	SPFS Holdings (Australia) Pty Limited

7. Discontinued operations (cont'd)

	Year ended 30/06/16 $'000	Year ended 30/06/15 $'000
Profit for the year from discontinued operations		
Revenue	64,405	77,843
Other gains	30	49
	64,435	77,892
Expenses	(54,905)	(64,899)
Profit before tax	9,530	12,993
Attributable income tax expense	(2,524)	(2,998)
	7,006	9,995
Loss on remeasurement to fair value less costs to sell	-	-
Gain/(loss) on disposal of operation including a cumulative exchange gain of $120,000 reclassified from foreign currency translation reserve to profit and loss	1,940	-
Attributable income tax expense	(636)	-
	1,304	-
Profit for the year from discontinued operations	8,310	9,995

AASB107.40

Cash flows from discontinued operations

Net cash inflows from operating activities	6,381	7,078
Net cash inflows from investing activities	2,767	-
Net cash outflows from financing activities	(5,000)	-
Net cash inflows	4,148	7,078

The bicycle business has been classified and accounted for at 30 June 2016 as a disposal group held for sale (see note 8).

AASB101.77

8. Assets classified as held for sale

	30/06/16 $'000	30/06/15 $'000
Freehold land held for sale (i)	1,260	-
Assets related to bicycle business (ii)	21,076	-
	22,336	-
Liabilities associated with assets held for sale (ii)	3,684	-
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 30 June 2016 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.

Source	SPFS Holdings (Australia) Pty Limited

8. Assets classified as held for sale (cont'd)

(ii) As described in note 7, the Company plans to dispose of its bicycle business and anticipates that the disposal will be completed by 31 January 2017. 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 30 June 2016. The major classes of assets and liabilities of the bicycle business at the end of the reporting period are as follows:

	30/06/16 $'000
Goodwill	1,147
Property, plant and equipment	16,944
Inventories	830
Trade receivables	1,980
Cash and bank balances	175
Assets of bicycle business classified as held for sale	21,076
Trade payables	(3,254)
Current tax liabilities	-
Deferred tax liabilities	(430)
Liabilities of bicycle business associated with assets classified as held for sale	(3,684)
Net assets of bicycle business classified as held for sale	17,392

9. Profit for the year from continuing operations

AASB101.97

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

AASB101.104

Disclosure of information about the nature of expenses
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.

<u>Example:</u>
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):

Source		Year ended 30/06/16 $'000	Year ended 30/06/15 $'000
AASB101.104	***9.1 Depreciation and amortisation expense***		
	Depreciation of property, plant and equipment	12,587	15,794
	Amortisation of intangible assets (included in [cost of sales/depreciation and amortisation expense/administrative expense/other expenses])	1,592	1,556
	Total depreciation and amortisation expense	14,179	17,350

Source	SPFS Holdings (Australia) Pty Limited

9. Profit for the year from continuing operations (cont'd)

Source		Year ended 30/06/16 $'000	Year ended 30/06/15 $'000
AASB101.104	***9.2 Employee benefits expense***		
	Post-employment benefits		
	Defined contribution plans	160	148
	Defined benefit plans	896	440
		1,056	588
	Share-based payments		
	Equity-settled share-based payments	206	338
	Cash-settled share-based payments	-	-
		206	338
	Termination benefits	-	-
	Other employee benefits	8,541	10,729
	Total employee benefits expense	9,803	11,655

9.3 Exceptional rectification costs

AASB101.97 Costs of $4.17 million 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 up to 2017. $1.112 million of the provision has been utilised in the current year, with a provision of $3.058 million carried forward to meet anticipated expenditure in 2017 and 2018.

AASB101.77

10. Trade and other receivables

	30/06/16 $'000	30/06/15 $'000
Trade receivables	18,034	16,880
Allowance for doubtful debts	(798)	(838)
	17,236	16,042
Deferred sales proceeds:		
- toy manufacturing operations (note 28)	960	-
- partial disposal of E Plus Limited	1,245	-
Operating lease receivable	-	-
Amounts due from customers under construction contracts	240	230
Goods and services tax recoverable	-	-
Other [describe]	54	20
	19,735	16,292

Source	SPFS Holdings (Australia) Pty Limited		
AASB101.77	**11. Other financial assets**		
		30/06/16	30/06/15
		$'000	$'000
	Derivatives designated and effective as hedging instruments carried at fair value		
	Foreign currency forward contracts	244	220
	Interest rate swaps	284	177
		528	397
	Financial assets carried at fair value through profit or loss (FVTPL)		
	Non-derivative financial assets designated as at FVTPL	-	-
	Held for trading derivatives that are not designated in hedge accounting relationships	-	-
	Held for trading non-derivative financial assets	539	1,247
		539	1,247
	Held-to-maturity investments carried at amortised cost		
	Bills of exchange	5,405	4,015
	Debentures	500	-
		5,905	4,015
	Available-for-sale investments carried at fair value		
	Redeemable notes	2,200	2,122
	Unquoted shares	6,300	5,735
	Other [describe]	419	-
		8,919	7,857
	Loans carried at amortised cost		
	Loans to related parties	3,762	3,148
	Loans to other entities	-	-
		3,762	3,148
		19,653	16,664
	Current	8,882	7,009
	Non-current	10,771	9,655
		19,653	16,664
AASB101.77	**12. Inventories**		
		30/06/16	30/06/15
		$'000	$'000
	Raw materials	9,972	8,340
	Work in progress	4,490	4,354
	Finished goods	13,751	13,288
		28,213	25,982

Source	SPFS Holdings (Australia) Pty Limited

AASB101.77

13. Investments in associates and joint ventures

	30/06/16 $'000	30/06/15 $'000
Investments in associates	7,402	7,270
Investments in joint ventures	-	-
	7,402	7,270

AASB101.77

14. Property, plant and equipment

	30/06/16 $'000	30/06/15 $'000
Carrying amounts of		
Freehold land	13,568	16,358
Buildings	8,132	11,204
Plant and equipment	88,055	106,487
Equipment under finance lease	28	162
	109,783	134,211

	Freehold land at fair value $'000	Buildings at fair value $'000	Plant and equipment at cost $'000	Equipment under finance lease at cost $'000	Total $'000
Balance at 1 July 2014					
Cost or valuation	15,610	12,659	159,107	630	188,006
Accumulated depreciation and impairment	-	(1,551)	(25,019)	(378)	(26,948)
	15,610	11,108	134,088	252	161,058
Balance at 30 June 2015					
Cost or valuation	16,358	13,704	141,165	670	171 897
Accumulated depreciation and impairment	-	(2,500)	(34,678)	(508)	(37,686)
	16,358	11,204	106,487	162	134,211
Balance at 30 June 2016					
Cost or valuation	13,568	11,147	123,468	46	148,229
Accumulated depreciation and impairment	-	(3,015)	(35,413)	(18)	(38,446)
	13,568	8,132	88,055	28	109,783

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	SPFS Holdings (Australia) Pty Limited

14. Property, plant and equipment (cont'd)

14.1 Impairment losses recognised in the year

AASB101.125

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 $1.09 million, 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 $15 million as at 30 June 2016. The discount rate used in measuring value in use was 9% per annum. No impairment assessment was performed in 2015 as there was no indication of impairment.

Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to $0.114 million. 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 the [other expenses/cost of sales] line item.

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

AASB101.125, 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 $x million (30 June 2015: approximately $x million), and a depreciation factor applied to the estimated construction cost of approximately x% (30 June 2015: approximately x%). 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.

AASB101.77

15. Other intangible assets

	30/06/16	30/06/15
	$'000	$'000
Carrying amounts of		
Capitalised development	1,194	1,906
Patents	4,369	4,660
Trademarks	706	942
Licences	3,470	3,817
	9,739	11,325

Source	SPFS Holdings (Australia) Pty Limited

15. Other intangible assets (cont'd)

	Capitalised development $'000	Patents $'000	Trademarks $'000	Licences $'000	Total $'000
Balance at 1 July 2014					
Cost	3,230	5,825	4,711	6,940	20,706
Accumulated amortisation and impairment	(1,000)	(874)	(3,533)	(2,776)	(8,183)
	2,230	4,951	1,178	4,164	12,523
Balance at 30 June 2015					
Cost	3,588	5,825	4,711	6,940	21,064
Accumulated amortisation and impairment	(1,682)	(1,165)	(3,769)	(3,123)	(9,739)
	1,906	4,660	942	3,817	11,325
Balance at 30 June 2016					
Cost	3,594	5,825	4,711	6,940	21,070
Accumulated amortisation and impairment	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)
	1,194	4,369	706	3,470	9,739

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

AASB101.125, 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.

AASB101.77

16. Other assets

	30/06/16 $'000	30/06/15 $'000
Prepayments	-	-
Other [describe]	-	-
	-	-
Current	-	-
Non-current	-	-
	-	-

Source	SPFS Holdings (Australia) Pty Limited

AASB101.77

17. Trade and other payables

	30/06/16 $'000	30/06/15 $'000
Trade payables	16,337	20,664
Cash-settled share-based payments	-	-
Amounts due to customers under construction contracts	36	15
Other [describe]	-	-
	16,373	20,679

AASB101.61

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.

AASB101.77

18. Borrowings

	30/06/16 $'000	30/06/15 $'000
Unsecured – at amortised cost		
Bank overdrafts	520	314
Bills of exchange	358	916
Loans from:		
- related parties	18,187	39,992
- other entities	3,701	3,518
- government	2,610	-
Convertible notes	4,144	-
Perpetual notes	1,905	-
Other [describe]	-	-
	31,425	44,740
Secured – at amortised cost		
Bank overdrafts	18	64
Bank loans	14,982	17,404
Loans from other entities	575	649
Transferred receivables	923	-
Finance lease liabilities	14	89
Other [describe]	-	-
	16,512	18,206
	47,937	62,946
Current	27,716	31,468
Non-current	20,221	31,478
	47,937	62,946

Source	SPFS Holdings (Australia) Pty Limited

AASB101.77

19. Other financial liabilities

	30/06/16 $'000	30/06/15 $'000
Financial guarantee contracts	24	18
Derivatives that are designated and effective as hedging instruments carried at fair value		
Foreign currency forward contracts	87	-
Interest rate swaps	5	-
Currency swaps	-	-
Other [describe]	-	-
	92	-
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Non-derivative financial liabilities designated as at FVTPL on initial recognition	14,875	-
Held for trading derivatives not designated in hedge accounting relationships	51	-
Held for trading non-derivative financial liabilities	-	-
	14,926	-
Other (contingent consideration)	75	-
	15,117	18
Current	116	18
Non-current	15,001	-
	15,117	18

AASB101.77

20. Provisions

	30/06/16 $'000	30/06/15 $'000
Employee benefits	1,334	4,388
Other provisions	4,316	1,038
	5,650	5,426
Current	3,356	3,195
Non-current	2,294	2,231
	5,650	5,426

Source	SPFS Holdings (Australia) Pty Limited

AASB101.77

21. Deferred revenue

	30/06/16	30/06/15
	$'000	$'000
Arising from customer loyalty programme (i)	184	147
Arising from government grant (ii)	390	-
	574	147

	30/06/16	30/06/15
	$'000	$'000
Current	355	52
Non-current	219	95
	574	147

(i) The deferred revenue arises in respect of the Company's Maxi-Points Scheme (see note 3.9.1).

(ii) The deferred revenue arises as a result of the benefit received from an interest-free government loan received in June 2016. The revenue will be offset against training costs to be incurred in 2017 ($250,000) and 2018 ($140,000).

AASB101.77

22. Other liabilities

	30/06/16	30/06/15
	$'000	$'000
Lease incentives	270	360
Other [describe]	-	5
	270	365
Current	90	95
Non-current	180	270
	270	365

AASB101.77

23. Issued capital

Notes 23-25 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.

Source	SPFS Holdings (Australia) Pty Limited

23. Issued capital (cont'd)

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); and
- 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).

AASB101.79(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:

(a) the number of shares authorised;
(b) the number of shares issued and fully paid, and issued but not fully paid;
(c) par value per share, or that the shares have no par value;
(d) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
(e) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;
(f) shares in the entity held by the entity or by its subsidiaries or associates; and
(g) shares reserved for issue under options and contracts for sale of shares, including the terms and amounts.

Source		30/06/16 $'000	30/06/15 $'000
AASB101.79(a)	14,844,000 fully paid ordinary shares (30 June 2015: 20,130,000)	33,246	49,479

AASB101.79(a)(iii) Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

AASB101.79(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.

AASB101.79(a)

23.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 July 2014	20,130	49,479
Movements [describe]	-	-
Balance at 30 June 2015	20,130	49,479
Share buy-back	(5,186)	(16,040)
Share buy-back costs	-	(277)
Income tax relating to share buy-back costs	-	84
Balance at 30 June 2016	14,944	33,246

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

Source	SPFS Holdings (Australia) Pty Limited

23. Issued capital (cont'd)

23.2 Redeemable cumulative preference shares

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

Other share options on issue

AASB101.79(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 30 June 2016, the company has [number] share options on issue (2015: [number]), exercisable on a 1:1 basis for [number] ordinary shares of the company (2015: [number]) at an exercise price of $[amount]. The options expire between [date] and [date] (2015: [date] and [date]), and carry no rights to dividends and no voting rights.'

Contracts for the sale of shares

AASB101.79(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 ABC. As part of the purchase consideration for the acquisition, the company will issue [number] of ordinary shares to the acquiree. Further details of the acquisition are disclosed in note [x].'

Shares held by associates

AASB101.79(vi)

Where an associate holds shares in the entity, the number of shares held shall be disclosed.

AASB101.77

24. Reserves (net of income tax)

AASB101.79(b)

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.

	30/06/16 $'000	30/06/15 $'000
Properties revaluation	1,198	1,201
Investments revaluation	593	527
Contributions	544	338
Cash flow hedging	317	278
Foreign currency translation	186	225
Option premium on convertible notes	592	-
Other [describe]	-	-
	3,430	2,569

Source	SPFS Holdings (Australia) Pty Limited

24. Reserves (net of income tax) (cont'd)

AASB101.90, 106(d), 106A

24.1 Properties revaluation reserve

	2016 $'000	2015 $'000
Balance at beginning of year	1,201	51
Increase arising on revaluation of properties	-	1,643
Impairment losses	-	-
Reversals of impairment losses	-	-
Deferred tax liability arising on revaluation	-	(493)
Reversal of deferred tax liability on revaluation	-	-
Transferred to retained earnings	(3)	-
Other [describe]	-	-
Balance at end of year	1,198	1,201

AASB101.79(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.

AASB101.90, 106(d), 106A

24.2 Investments revaluation reserve

	2016 $'000	2015 $'000
Balance at beginning of year	527	470
Net gain arising on revaluation of available-for-sale financial assets	94	81
Income tax relating to gain arising on revaluation of available-for-sale financial assets	(28)	(24)
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	-	-
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	-	-
Balance at end of year	593	527

AASB101.79(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.

AASB101.106(d), 106A

24.3 Contributions reserve

	2016 $'000	2015 $'000
Balance at beginning of year	338	-
Arising on share-based payments	206	338
Other [describe]	-	-
Balance at end of year	544	338

AASB101.79(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, GAAP Holdings (Australia) Limited, who is responsible for the granting of those share options. An agreement is in place with GAAP 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 GAAP Holdings (Australia) Limited in its capacity as owner. Items included in the contribution reserve will not be reclassified to profit or loss.

Source	SPFS Holdings (Australia) Pty Limited

24. Reserves (net of income tax) (cont'd)

AASB101.90, 106(d), 106A

24.4 Cash flow hedging reserve

	2016 $'000	2015 $'000
Balance at beginning of year	278	258
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	209	(41)
Interest rate swaps	227	357
Currency swaps	-	-
Income tax related to gains/losses recognised in other comprehensive income	(131)	(95)
Cumulative (gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss		
Forward foreign exchange contracts	(3)	-
Interest rate swaps	(120)	(86)
Currency swaps	-	-
Income tax related to amounts reclassified to profit or loss	37	26
Transferred to initial carrying amount of hedged item		
Forward foreign exchange contracts	(257)	(201)
Income tax related to amounts transferred to initial carrying amount of hedged item	77	60
Other [describe]	-	-
Balance at end of year	317	278

AASB101.79(b), 82A

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

AASB101.90, 106 (d), 106A

24.5 Foreign currency translation reserve

	2016 $'000	2015 $'000
Balance at beginning of year	225	140
Exchange differences arising on translating the foreign operations	75	121
Income tax relating to gains arising on translating the net assets of foreign operations	(22)	(36)
Loss on hedging instrument designated in hedges of the net assets of foreign operations	(12)	-
Income tax relating to loss on hedge of the net assets of foreign operations	4	-
(Gain)/loss reclassified to profit or loss on disposal of foreign operations	(166)	-
Income tax related to gain/loss reclassified on disposal of foreign operations	51	-
(Gain)/loss on hedging instrument reclassified to profit or loss on disposal of foreign operations	46	-
Income tax related to gain/loss on hedging instruments reclassified on disposal of foreign operation	(15)	-
Other [describe]	-	-
Balance at end of year	186	225

Source	SPFS Holdings (Australia) Pty Limited

24. Reserves (net of income tax) (cont'd)

AASB101.79(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.

AASB101.106 (d), 106A

24.6 Option premium on convertible notes

	2016 $'000	2015 $'000
Balance at beginning of year	-	-
Recognition of option premium on issue of convertible notes	834	-
Related income tax	(242)	-
Balance at end of year	592	-

AASB101.79(b), 82A

The option premium on convertible notes represents the equity component (conversion rights) of the 4.5 million 5.5% convertible notes issued during the year.

25. Retained earnings

AASB101.106 (b), (d), 106A

	30/06/16 $'000	30/06/15 $'000
Retained earnings	135,121	114,914

	2016 $'000	2015 $'000
Balance at beginning of year	114,914	91,066
Profit attributable to members of the Company	26,485	30,193
Other comprehensive income arising from remeasurement of defined benefit obligation, net of income tax	564	134
Payment of dividends	(6,515)	(6,369)
Share buy-back	(555)	-
Related income tax	-	-
Transfer from properties revaluation reserve	3	-
Other [describe]	225	(110)
Balance at end of year	135,121	114,914

Source	SPFS Holdings (Australia) Pty Limited

26. Dividends on equity instruments

Source		Year ended 30/06/16		Year ended 30/06/15	
		Cents per share	Total $'000	Cents per share	Total $'000
AASB101.107	**Recognised amounts**				
	Fully paid ordinary shares				
	Interim dividend	17.85	2,618	12.71	2,559
	Final dividend	19.36	3,897	18.93	3,810
		37.21	6,515	31.64	6,369
	Unrecognised amounts				
	Fully paid ordinary shares				
AASB101. 137(a)	Final dividend	26.31	3,905	19.36	3,897

On 29 August 2016, the directors declared a fully franked final dividend of 26.31 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2016, to be paid to shareholders on 3 October 2016. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If approved, the dividend will be paid to all shareholders on the Register of Members on 28 September 2016. The total estimated dividend to be paid is $3,905 thousand.

AASB1054.12-15
The Company is part of a tax-consolidated group and accordingly, does not pay tax or have franking credits in its own right.

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:

Source		30/06/16	30/06/15
		$'000	$'000
AASB1054.13	Adjusted franking account balance	-	-

AASB101.107
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.

AASB1054.12
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.

AASB1054.13
An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.

AASB1054.14
For the purposes of determining the amount required to be disclosed in accordance with paragraph 13, entities may have:

(a) imputation credits that will arise from the payment of the amount of the provision for income tax;
(b) imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

AASB1054.15
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.

Source	SPFS Holdings (Australia) Pty Limited

26. Dividends on equity instruments (cont'd)

Cumulative preference dividends not recognised

AASB101.137(b)

An entity shall disclose in the notes to the financial statements the amount of any cumulative preference dividends not recognised.

27. 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 2015, all of the disclosures illustrated would also be required for that prior year acquisition.

27.1 Businesses acquired

During the year, the Company acquired a financial services business and a distribution business. Details of the acquisitions are as follows:

AASB107.40(a)

27.2 Consideration transferred

	Financial services business $'000	Distribution business $'000
Cash	430	247
Transfer of land and buildings at fair value at date of acquisition	-	400
Contingent consideration arrangement	75	-
Plus: effect of settlement of legal claim against the distribution business	-	40
Total	505	687

AASB107.40(d)

27.3 Assets acquired and liabilities assumed at the date of acquisition

AASB107.40(c)

	Financial services business $'000	Distribution business $'000	Total $'000
Cash and cash equivalents	200	-	200
Trade and other receivables	87	105	192
Inventories	-	57	57
Plant and equipment	143	369	512
Trade and other payables	(18)	(35)	(53)
Deferred tax liabilities	(17)	-	(17)
Contingent liabilities	(45)	-	(45)
	350	496	846

27.4 Net cash outflow on acquisition of businesses

Source		Year ended 30/06/16 $'000	Year ended 30/06/15 $'000
AASB107.40(b)	Consideration paid in cash	677	-
AASB107.40(c)	Less: cash and cash equivalent balances acquired	(200)	-
		477	-

Source	SPFS Holdings (Australia) Pty Limited

28. 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 2015, all of the disclosures illustrated would also be required for that prior year disposal.

On 30 May 2016, the Company disposed of its toy manufacturing operations.

28.1 Consideration received

Source		Year ended 30/06/16 $'000
AASB107.40(b)	Consideration received in cash and cash equivalents	7,854
	Deferred sales proceeds (note 10)	960
AASB107.40(a)	Total consideration received	8,814

AASB107.40(d)

28.2 Book value of net assets sold

	Year ended 30/06/16 $'000
Cash and cash equivalents	288
Trade receivables	1,034
Inventories	2,716
Property, plant and equipment	5,662
Goodwill	3,080
Payables	(973)
Borrowings	(4,342)
Deferred tax liabilities	(471)
Net assets disposed of	6,994

28.3 Net cash inflow on disposal of business

Source		Year ended 30/06/16
	Consideration received in cash and cash equivalents	7,854
AASB107.40(c)	Less: cash and cash equivalent balances disposed of	(288)
		7,566

29. Cash and cash equivalents

AASB107.45

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:

	30/06/16 $'000	30/06/15 $'000
Cash and bank balances	23,446	19,778
Bank overdraft	(538)	(378)
	22,908	19,400
Cash and bank balances included in a disposal group held for sale	175	-
	23,083	19,400

Source	SPFS Holdings (Australia) Pty Limited

29. Cash and cash equivalents (cont'd)

29.1 Cash balances not available for use

AASB107.48

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.

AASB1054.16

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

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 30/06/16	Year ended 30/06/15
	$'000	$'000
Cash flows from operating activities		
Profit for the year	26,485	30,193
Income tax expense recognised in profit or loss	14,088	14,797
Share of profits of associates	(1,186)	(1,589)
Finance costs recognised in profit or loss	4,418	6,023
Investment revenue recognised in profit or loss	(3,608)	(2,351)
Gain on disposal of property, plant and equipment	(6)	(67)
Gain on revaluation of investment property	(297)	(8)
Gain on disposal of business	(1,940)	-
Gain on disposal of interest in former associate	(581)	-
Net loss arising on financial liabilities designated as at fair value through profit or loss	(125)	-
Net loss arising on financial assets classified as held for trading	(156)	(72)
Hedge ineffectiveness on cash flow hedges	(89)	(68)
(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	-	-
Impairment loss recognised on trade receivables	63	430
Reversal of impairment loss on trade receivables	(103)	-
Depreciation and amortisation of non-current assets	14,179	17,350
Impairment of non-current assets	1,439	-
Net foreign exchange (gain)/loss	(101)	117
Amortisation of financial guarantee contracts	6	18
Gain arising on effective settlement of claim against the distribution business	(40)	-
	52,446	64,773
Movements in working capital		
(Increase) in trade and other receivables	(2,167)	(1,446)
(Increase)/decrease in inventories	(4,734)	204
(Increase) in other assets	(34)	(20)
(Decrease) in trade and other payables	(183)	(29,979)
Increase/(decrease) in provisions	151	(941)
Increase in deferred revenue	427	43
(Decrease)/increase in other liabilities	(95)	365
Cash generated from operations	45,811	32,999
Interest paid	(4,493)	(6,106)
Income taxes paid to head entity for tax funding agreement	(13,848)	(13,340)
Net cash generated by operating activities	27,470	13,553

Source	SPFS Holdings (Australia) Pty Limited

29. Cash and cash equivalents (cont'd)

Other disclosures

AASB107.50 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; and

(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.

AASB107.51 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.

AASB107.52 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.

AASB107.43

30. 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 $0.4 million to acquire the distribution business as indicated in note 27;
- proceeds in respect of the Company's disposal of part of its interest in E Plus Limited and its entire interest in the toy manufacturing business ($1.245 million and $960,000 respectively) had not been received in cash at the end of the reporting period; and
- the Company acquired $40,000 of equipment under a finance lease in 2016 (2015: nil).

31. Remuneration of auditors

ASIC-CO 98/100 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.

31.1 Auditor of the Company

Source		30/06/16	30/06/15
		$	$
AASB1054.10, 11	Audit or review of the financial statements	442,627	406,239
	Preparation of the tax return	300,000	352,000
	All other services [describe]	-	-
		742,627	758,239

Source		30/06/16	30/06/15
AASB1054.10, 11	***31.2 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'.

Source	SPFS Holdings (Australia) Pty Limited

31. Remuneration of auditors (cont'd)

AASB1054.11

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.

Section C:
Reporting obligations

Section C
Reporting obligations

Contents | Page

This page has intentionally been left blank

Differential reporting

The reporting entity concept

The reporting entity concept was adopted by the Australian accounting profession in June 1992 in an attempt to reduce the reporting requirements imposed on certain entities by the application of accounting standards. Under this concept, 'reporting entities' are required to prepare a financial report in compliance with all Accounting Standards and Interpretations, referred to as general purpose financial statements (GPFSs).

In June 2010, the AASB revised the differential reporting framework and introduced two Tiers of reporting requirements for GPFS. Tier 1: 'Australian Accounting Standards' – incorporates IFRSs issued by the IASB and includes requirements that are specific to Australian entities; and Tier 2: 'Australian Accounting Standards – Reduced Disclosure Requirements' – comprises of recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements. At the same time the concept of 'public accountability' was introduced. For-profit private sector entities that have 'public accountability' and Australian Government, State, Territory and Local governments should comply with Tier 1 requirements. Other 'reporting entities' will need to comply with Tier 2 reporting requirements.

'Non-reporting entities', however, have the option to prepare special purpose financial statements (SPFSs) in compliance with those Accounting Standards and Interpretations considered necessary to enable the financial reports to meet the special purpose needs of the users.

'General purpose financial statements' are defined in AASB 101 'Presentation of Financial Statements' as 'those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs'. 'Special purpose financial statements' are 'financial statements other than general purpose financial statements'.

The application of 'Tier 1' and 'Tier 2' reporting, by entity sector, is set out in the following table:

Entity sector	Tier 1 (Australian Accounting Standards)	Tier 2 (Australian Accounting Standards – Reduced Disclosure Requirements)
For-profit private sector entities	Publicly accountable entities (including specific 'examples')	Non-publicly accountable entities
Not-for-profit private sector entities	Choice of applying Tier 1 or Tier 2 requirements	
Public sector entities	Australian Government, State, Territory and Local Governments, and GGSs of Australian Government, State and Territory Governments (subject to AASB 1049)	All other public sector entities

Identification of reporting entities

A 'reporting entity' is defined in AASB 101 as 'an entity in respect of which it is reasonable to expect the existence of users dependent on general purpose financial reports for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries'.

The 'public accountability' concept

In relation to for-profit private sector entities, the key determinant of which reporting tier is to be applied depends on the 'public accountability' concept. Other than a minor scope amendment to restrict its application to for-profit entities, the AASB has taken the definition of 'public accountability' from the IASB's 'IFRS for SMEs'. 'Public accountability' is defined as 'accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs'.

The definition deems a for-profit private sector entity to have ‘public accountability’ in the following circumstances.

Definition inclusion	Examples
The entity’s debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market*	Entities listed (debt or equity) on the Australian Securities Exchange (ASX), National Stock Exchange of Australia (NSX) or Bendigo Stock Exchange (BSX) or any global stock exchange Entities with American Depository Receipts (ADRs) on issue Entities listed on the Alternative Investment Market (AIM) of the London Stock Exchange
The entity holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses	Banks, credit unions, building societies, insurance companies, securities brokers/dealers, mutual funds and investment banks

* a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets

In addition to the definition, the AASB has specified a number of ‘example’ entities deemed to have ‘public accountability’:

- Disclosing entities, even if their debt or equity instruments are not traded in a public market or are not in the process of being issued for trading in a public market;
- Co-operatives that issue debentures;
- Registered managed investment schemes;
- Superannuation plans regulated by the Australian Prudential Regulation Authority (APRA) other than Small APRA Funds as defined by APRA Superannuation Circular No. III.E.1 Regulation of Small APRA Funds, December 2000; and
- Authorised deposit-taking institutions (ADIs).

Reduced disclosure requirements

The AASB’s approach to determining the RDR has been largely guided by the IASB’s approach in developing the disclosure requirements for the IFRS for SMEs.

The AASB has utilised the following principles in determining the Tier 2 disclosures:

- When Tier 2 recognition and measurement requirements are the same as those under IFRS for SMEs – disclosures being omitted by the IASB in developing the disclosure requirements for the IFRS for SMEs are also excluded from the RDR; and
- When Tier 2 recognition and measurement requirements are not the same as those under IFRS for SMEs – the ‘user need’ and ‘cost benefit’ principles applied by the IASB in developing its IFRS for SMEs are utilised in determining the RDR.

Unlike the IASB which has introduced IFRSs and IFRSs for SMEs, there is only one ‘suite’ of standards in Australia for application by both Tier 1 and Tier 2 entities. Each Australian Accounting Standard specifies the entities to which it applies, and when necessary, sets out disclosure requirements from which Tier 2 entities are exempt by shading the exempted requirements and adding special ‘RDR’ paragraphs.

Whilst there are numerous exceptions, the table below broadly summarises the disclosure matters generally retained and those omitted from the RDR.

Disclosure items generally retained	Disclosure items generally omitted
Format and layout of the primary financial statements	Detailed narrative disclosure, e.g. nature and extent of risks arising from financial instruments under AASB 7, standards on issue but not yet effective
Descriptions of accounting policies and methods	Detailed information on how amounts have been measured, e.g. share-based payments, fair values
Key amounts included in the financial statements, e.g. impairment and reversals, breakdown of revenue, discontinuing operations, fair value adjustments, gains and losses	Supplementary information about key transactions, balances and events, e.g. financial information about associates/joint ventures, alternate presentation of profit or loss information, impairment, defined benefit plan liabilities
Movement schedules, e.g. share-based payments, property, plant and equipment, intangible assets, goodwill, and investment property	Many additional Australian disclosures, e.g. audit fees, franking credits, capital commitments
Reconciliations of key transactions and balances, e.g. business combination breakdowns, income tax expense and deferred tax balances	Most disclosures required by Interpretations
Significant uncertainties and judgements	
Information about the entity and its related parties (but not necessarily details of transactions and balances)	

Transition

From 2005, all Australian entities preparing and lodging financial statements under the Corporations Act 2001, and many other entities, were effectively required to follow at least the recognition and measurement requirements of IFRS. The creation of the new RDR then creates the need for transitional arrangements and the determination of the application of AASB 1 ‘First-time Adoption of Australian Accounting Standards’.

AASB 1 links its application to an entity making an unreserved statement of compliance with Australian Accounting Standards or International Financial Reporting Standards (IFRS). IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ merely mentions the entity making an unreserved statement of compliance with IFRSs.

As a result, the standards require an entity moving to the ‘Tier 1’ reporting regime (i.e. full IFRS with all disclosures) to apply AASB 1/IFRS 1 on transition (or the AASB 1 option for retrospective application of Australian Accounting Standards in accordance with AASB 108) in order to claim compliance with IFRS, notwithstanding that the entity’s previous reports (special purpose financial statements or ‘Tier 2’/RDR reports) were fully compliant with the recognition and measurement requirements of IFRS. As a result, the AASB’s transitional requirements need to be considered in light of the requirements of IFRS to ensure entities (particularly for-profit entities) adopting the Tier 1 requirements can make an unreserved statement of compliance with IFRS.

With the need for IFRS compliance in mind, the transitional requirements are necessarily complex. The table below summarises the transitional provisions.

Current reporting period	Reporting framework applied in the most recent previous financial statements	Extent of application of recognition and measurement requirements in the most recent previous financial statements*	Statement of compliance in the most recent previous financial statements	Applicable transition requirement in the current period	Source
Transition to Tier 1 reporting requirements	Special Purpose Financial Statements (SPFS)	Recognition and measurement requirements of Australian Accounting Standards (AAS) applied or not applied	N/A	• Apply all the requirements of AASB 1	AASB 1053.18
	Tier 2 reporting requirements	All recognition and measurement requirements of AAS applied	N/A	• Apply AASB 1, if it is claiming compliance with IFRSs; and • shall not apply AASB 1, if it is a not-for-profit entity not claiming compliance with IFRS	AASB 1053.21
Transition to Tier 2 reporting requirements	SPFS	Recognition and measurement requirements of AAS not applied or selectively applied	N/A	• Apply all requirements of AASB 1; or • apply Tier 2 requirements retrospectively in accordance with AASB 108	AASB 1053. 18A(a)
	SPFS	All recognition and measurement requirements of AAS applied	N/A	• Shall not apply AASB 1 and continues to apply the recognition and measurement requirements	AASB 1053. 18A(b)
Resumption of Tier 1 reporting requirement	Tier 2 reporting requirements or SPFS	All recognition and measurement requirements of AAS applied	Did not contain an explicit and unreserved statement of compliance with Tier 1 reporting requirements or IFRSs	• Apply all requirements of AASB 1; or • apply Tier 1 requirements retrospectively in accordance with AASB 108[1]	AASB 1053.19
	Tier 2 reporting requirements or SPFS	Recognition and measurement requirements of AAS not applied or selectively applied	Did not contain an explicit and unreserved statement of compliance with Tier 1 reporting requirements or IFRSs	• Apply all requirements of AASB 1; or • apply Tier 1 requirements retrospectively in accordance with AASB 108[1]	AASB 1053.19

Current reporting period	Reporting framework applied in the most recent previous financial statements	Extent of application of recognition and measurement requirements in the most recent previous financial statements*	Statement of compliance in the most recent previous financial statements	Applicable transition requirement in the current period	Source
Resumption of Tier 2 reporting requirement	SPFS	Did not apply all recognition and measurement requirements of AAS	Did not contain an explicit and unreserved statement of compliance with Tier 2 reporting requirements	• Apply all requirements of AASB 1; or • apply Tier 2 requirements retrospectively in accordance with AASB 108	AASB 1053. 19B(d)
	Tier 1 or SPFS	Applying all recognition and measurement requirements of AAS	Did not contain an explicit and unreserved statement of compliance with Tier 2 reporting requirements	• Shall not apply AASB 1 or the AASB 1 option for retrospective application in accordance with AASB 108[2]	AASB 1053. 19B(e)

* Most recent previous reporting period refers to the period immediately before an entity transitioned to the relevant Tiers of reporting requirement in the current year.

[1] An entity that is to claim IFRS compliance on resuming Tier 1 reporting requirements under para 19, shall not use the AASB 1 option for retrospective application of AAS in accordance with AASB 108 if it was not previously IFRS compliant.

[2] Entity shall disclose the reason it stopped applying Tier 2 reporting requirements; and the reason it is resuming the application of Tier 2 reporting requirements.

Preparing SPFSs under the Corporations Act 2001

General

SPFSs prepared for a financial year must include:

(a) financial statements as required by the accounting standards for the period. These comprise a statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows;

(b) notes to the financial statements, as required by the Corporations Regulations 2001 and Accounting Standards; and

(c) a directors' declaration.

Paragraph 6.1 of Miscellaneous Professional Statement APES 205 'Conformity with Accounting Standards', indicates that members of the Australian accounting bodies who are involved in, or are responsible for, the preparation, presentation, audit, review or compilation of an entity's Special Purpose Financial Statements (except where the SPFS will be used solely for internal purposes) are to take all reasonable steps to ensure that the Special Purpose Financial Statements and any associated audit report, review report or compilation report clearly identifies:

(a) that the financial statements are Special Purpose Financial Statements;

(b) the purpose for which the Special Purpose Financial Statements have been prepared; and

(c) the significant accounting policies adopted in the preparation and presentation of the Special Purpose Financial Statements.

Minimum compliance requirements

The following Accounting Standards and Interpretations apply to all entities required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act 2001, irrespective of whether they are reporting entities or not:

- AASB 101 'Presentation of Financial Statements';
- AASB 107 'Statement of Cash Flows';
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors';
- AASB 1048 'Interpretation of Standards'; and
- AASB 1054 'Australian Additional Disclosures'.

What impact do the minimum compliance requirements have on disclosures?

The minimum compliance requirements mean that disclosures that are required in the above noted accounting standards have to be included in the financial statements.

For any other accounting standards, only the recognition and measurement requirements apply, but the disclosure requirements are not mandatory. Many non-reporting entities include disclosures that are not required because the information is considered to be useful.

For example, this means that a company with property, plant and equipment (PPE) must recognise it in accordance with AASB 116 'Property, Plant & Equipment', but are not required to disclose a PPE note in the financial statements. It is however still required to disclose an accounting policy for property, plant and equipment.

Recognition and measurement requirements

In ASIC Regulatory Guide 85 'Reporting requirements for non-reporting entities' (July 2005), the ASIC note that the Accounting Standards provide a framework for determining a consistent definition of 'financial position' and 'profit or loss'. Without such a framework the figures in financial statements would lose their meaning. Financial statements prepared under the Corporations Act 2001 must be prepared within the framework of Accounting Standards to ensure that the following requirements of the Corporations Act 2001 are met:

- the financial statements give a true and fair view (s.297); and
- the financial statements do not contain false or misleading information (s.1308).

Therefore the recognition and measurement requirements of all Accounting Standards and Interpretations must be applied in order to determine profit or loss and financial position. The recognition and measurement requirements of Accounting Standards and Interpretations include requirements relating to depreciation of non-current assets, impairment of goodwill, accounting for income tax, lease accounting, measurement of inventories, recognition and measurement of liabilities for employee benefits, recognition and measurement of financial instruments, and recognition and measurement of provisions. In addition, those Accounting Standards and Interpretations which deal with the classification of items must be applied, for example the provisions of AASB 132 'Financial Instruments: Presentation' concerning the classification of financial instruments as debt or equity.

The ASIC have also issued ASIC Corporations (Non-Reporting Entities) Instrument 2015/841 (dated 18 September 2015) to ensure that non-reporting entities will be able to take advantage of concessions or other modifications of the recognition and measurement requirements of accounting standards that are available for reporting entities, such as concessions available under AASB 1 'First-time Adoption of Australian Accounting Standards' and transitional provisions or other concessions available under a non-mandatory accounting standard. This relief is available provided that the non-reporting entity takes all reasonable steps to ensure that the relevant report complies with all recognition and measurement requirements as if it were a reporting entity.

Disclosing entities

The Corporate Law Reform Act 1994 introduced enhanced disclosure requirements for disclosing entities, which include:

- listed entities and listed registered schemes;
- entities and registered schemes which raise funds pursuant to a prospectus;
- entities and registered schemes which offer securities other than debentures as consideration for an acquisition of shares in a target company under a takeover scheme; and
- entities whose securities are issued under a compromise or scheme of arrangement.

The following entities are exempt from the enhanced disclosure requirements of the Corporations Act 2001:

- a public authority of a State or Territory or an instrumentality or agency of the Crown in right of a State or Territory;
- a public authority of the Commonwealth or an instrumentality or agency of the Crown in right of the Commonwealth, the relevant traded debt securities of which are guaranteed by the Government of the Commonwealth; and
- an entity exempted by the Regulations or the ASIC.

Disclosing entities are required, inter alia, to comply with:

(a) the continuous disclosure requirements, which include:
  - a requirement to provide information which, if generally available, would be likely to have a material effect on the price or value of the entity's securities. Listed disclosing entities must immediately make such disclosure to the Australian Securities Exchange (the ASX), while unlisted disclosing entities must make such disclosure to the ASIC as soon as practicable; and
  - for listed entities, a requirement to give the ASX the information needed to correct or prevent a false market in an entity's securities where the ASX considers that there is or is likely to be a false market and asks the entity to give it information to correct or prevent a false market.

(b) the half-year reporting requirements, which include a requirement to prepare a half-year report, including:
  - a directors' report and directors' declaration, in accordance with Part 2M.3 of the Corporations Act 2001;
  - financial statements, as required by the Accounting Standards; and
  - notes to the financial statements, as required by the Corporations Regulations 2001 and Accounting Standards.

  Non-listed disclosing entities must lodge the half-year report with the ASIC within 75 days of the half-year end.

Listed disclosing entities must lodge their half-year report with the ASX within 2 months of the half-year end (75 days, for mining exploration entities). The half-year report for listed disclosing entities, prepared in accordance with AASB 134 'Interim Financial Reporting', must be lodged together with the information required by Appendix 4D to the listing rules.

(c) the annual reporting requirements, which require disclosing entities incorporated or formed in Australia to prepare a financial report for the financial year in accordance with Part 2M.3 of the Corporations Act 2001. The annual report must be lodged with the ASIC (or ASX for listed disclosing entities) within 3 months of the financial year end.

'Reporting deadlines' on page C17 provides details of Australian reporting deadlines in tabular form.

Large proprietary companies

Preparation of financial reports

Large proprietary companies (as defined below) are required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act 2001 and have the financial report audited.

Definition

A proprietary company is a large proprietary company for a financial year if it satisfies at least 2 of the following conditions:

(a) the consolidated revenue for the financial year of the company and the entities it controls (if any) is $25 million or more; or

(b) the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls (if any) is $12.5 million or more; or

(c) the company and the entities it controls (if any) have 50 or more employees at the end of the financial year.

The full definition of a large proprietary company in s.45A(3) of the Corporations Act 2001 notes that the amounts specified in these definitions may be varied by the Regulations. At the time of printing no specified amounts have been varied by the Regulations.

Section 45A of the Corporations Act 2001 requires that when counting employees, part-time employees be taken into account as an appropriate fraction of a full-time equivalent. Consolidated revenue and the value of consolidated gross assets are calculated in accordance with the accounting treatment specified by Accounting Standards in force at the relevant time (even if the standards do not otherwise apply to the company).

Lodgement relief

In accordance with the former s.319(4) of the Corporations Law, which continues to apply in accordance with s.1408(6) of the Corporations Act 2001, (i.e. the 'Grandfather Clause'), large proprietary companies that were classified as 'exempt proprietary companies' as at 30 June 1994 and continue to meet the definition of 'exempt proprietary company' at all times subsequent to 30 June 1994 are relieved from the requirement to lodge a financial report with the ASIC, provided certain conditions are satisfied.

ASIC Corporations (Exempt Proprietary Companies) Instrument 2015/840 (dated 18 September 2015), provides similar lodgement relief to large proprietary companies in which an ownership interest is held by a foreign company, provided the ownership interest does not constitute control and certain other conditions are satisfied. To take advantage of this relief, the directors of the large proprietary company must have lodged with the ASIC, within 4 months after the end of the first financial year that ended after 24 April 1997, notification of their intention to adopt Class Order 98/99 (note, Class Order 98/99 is revoked by Class Order 05/638, and Class Order 05/638 is revoked by Corporations Instrument 2015/840).

Audit relief

ASIC Class Order 98/1417 (dated 13 August 1998) relieves large proprietary companies that were not audited for a financial year ending during 1993, or in any later financial year, from the audit requirements of the Corporations Act 2001 provided certain conditions are satisfied.

The relief does not apply to large proprietary companies that are:

- large 'grandfathered' proprietary companies under the former s.319(4) of the Corporations Law;
- disclosing entities;
- borrowers in relation to debentures;
- guarantors of borrowers in relation to debentures; or
- a financial services licensee.

The Class Order relieves large proprietary companies from the audit requirements of the Corporations Act 2001 for any financial year ending on or after 1 July 1998 (defined as the 'Relevant Financial Year') provided certain conditions are satisfied.

To qualify for audit relief the following conditions must be satisfied:

(a) during the period of three months before the commencement of the Relevant Financial Year and ending four months after the end of the Relevant Financial Year, all directors and all shareholders must resolve that an audit is not required and formal notification of the resolution must be lodged with the ASIC (using Form 382) unless the company applied for relief for the financial year immediately preceding the Relevant Financial Year. Shareholders must have been provided, either in the notice of meeting or in material accompanying a circular resolution, with a statement by the directors stating whether, in their opinion, the cost of having the financial statements audited outweighs the expected benefits of the audit and setting out their reasons for that opinion, before so resolving;

(b) written notice that an audit is required has not been received;

(c) the directors' declaration for each financial year ending on or after 1 July 1998 (including the Relevant Financial Year) must include an unqualified statement that there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(d) the company must have procedures which enable all the directors to assess whether the company is able to pay its debts as and when they fall due;

(e) management accounts (incorporating for Relevant Financial Years commencing on or after 1 January 2006 an income statement, statement of changes in equity, balance sheet and cash flow statement) must be prepared on at least a quarterly basis within one month after the end of the relevant quarter. For a Relevant Financial Year that commenced on or before 31 December 2004, management accounts shall include a profit and loss statement, balance sheet and cash flow statement;

(f) the directors have resolved, at the end of each quarter and at the time the resolution is made, that total liabilities do not exceed 70% of total tangible assets (determined in accordance with accounting standards whether or not they are otherwise applicable to the company or its controlled entities, except that liabilities must include any Unapproved Subordinated Debt and may exclude Approved Subordinated Debt) and that the company was able to pay all its debts as and when they become due and payable. Where consolidated management accounts are prepared, total liabilities do not exceed 70% of total consolidated tangible assets;

(g) the directors have resolved, at the end of the Relevant Financial Year and at the time the resolution is made, total liabilities do not exceed 70% of total tangible assets (determined in accordance with accounting standards whether or not they are otherwise applicable to the company or its controlled entities, except that liabilities must include any Unapproved Subordinated Debt and may exclude Approved Subordinated Debt). If relevant, total consolidated liabilities also do not exceed 70% of total consolidated tangible assets for the company and its controlled entities;

(h) the company, and consolidated entity where consolidated financial statements are required under the Corporations Act 2001, must have made a profit from ordinary activities after related income tax expense for the Relevant Financial Year or the financial year preceding the Relevant Financial Year;

(i) where the company is party to a deed of cross guarantee for the purposes of relief to its wholly-owned controlled entities under ASIC Class Order 98/1418 the previous two conditions must also be satisfied for the closed group and those entities which are parties to the deed of cross guarantee; and

(j) the year end financial statements must be prepared by a prescribed accountant (which may be an employee of the company) in accordance with Miscellaneous Professional Statement APS 9 'Statement on Compilation of Financial Reports' and must be accompanied by a compilation report prepared in accordance with APS 9[1].

In addition, the company must comply with the following requirements:

(a) where a shareholder or person who is owed Approved Subordinated Debt requests a copy of the management accounts or a directors' resolution regarding the above items, the company must make these available to the requesting party;

(b) the financial report and the directors' report for the Relevant Financial Year and the immediately preceding financial year must substantially comply with Chapter 2M of the Corporations Act 2001;

(c) the company must lodge its financial report and directors' report for the Relevant Financial Year and the immediately preceding financial year with the ASIC in accordance with the requirements of the Corporations Act 2001;

(d) the directors' report must include a statement that the financial report has not been audited, in reliance on this Class Order, and that the requirements of this Class Order have been complied with;

(e) a registered company auditor to whom the Company has granted access to any of the books of the Company has not indicated to the Company, any of its directors or other officers that, if the financial report of the Company for the Relevant Financial Year were audited in accordance with Division 3 of Part 2M.3 of the Act, the auditor's report may contain a modified opinion within the meaning of paragraph 5(b) of Auditing Standard ASA 705 'Modifications to the Opinion in the Independent Auditor's Report', and there are no material disagreements or unresolved issues as between the Company and any such auditor in relation to accounting treatments or amounts that may appear in the financial report of the Company for the Relevant Financial Year; and

(f) if, on or after 1 July 2010, the relief is not applied for the financial year immediately following a financial year which the relief was applied, a notice that the company has ceased to apply the relief must be lodged with ASIC (using Form 396).

---

[1] APS 9 'Statement on Compilation of Financial Reports' has been replaced by APES 315 'Compilation of Financial Information', however, this has not yet been updated in the class order.

Small proprietary companies

Preparation of financial reports

A small proprietary company (as defined below) is not required to prepare a financial report under Part 2M.3 of the Corporations Act 2001 unless:

(a) the small proprietary company is controlled by a foreign company (for all or part of the year) and the results of the small proprietary company for the year (or part thereof, if control existed for only part of the year) are not covered by consolidated financial statements lodged with the ASIC by the registered foreign company or by an intermediate Australian parent company;

(b) 5% or more of the shareholders request that a financial report be prepared; or

(c) the ASIC requests that a financial report be prepared.

If 5% or more of the shareholders request that a financial report be prepared, a directors' report need not be prepared and the financial report need not be prepared in accordance with Accounting Standards if the shareholders' request specifies that a directors' report is not required and that Accounting Standards need not be complied with. In addition, the financial report need only be audited if the shareholders' request asks for the financial report to be audited.

If the ASIC requests that a financial report be prepared, the financial report is to be prepared in accordance with the request (i.e. the request may or may not require that the financial report be prepared in accordance with Accounting Standards or be subject to an audit).

Definition

A proprietary company is a small proprietary company for a financial year if it satisfies at least 2 of the following conditions:

(a) the consolidated revenue for the financial year of the company and the entities it controls (if any) is less than $25 million;

(b) the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls (if any) is less than $12.5 million; or

(c) the company and the entities it controls (if any) have fewer than 50 employees at the end of the financial year.

The full definition of a small proprietary company in s.45A(2) of the Corporations Act 2001 notes that the amounts specified in these definitions may be varied by the Regulations. At the time of printing no specified amounts have been varied by the Regulations.

Section 45A of the Corporations Act 2001 requires that when counting employees, part-time employees be taken into account as an appropriate fraction of a full-time equivalent. Consolidated revenue and the value of consolidated gross assets are calculated in accordance with the accounting treatment specified by Accounting Standards in force at the relevant time (even if the standards do not otherwise apply to the company).

Financial report preparation relief for foreign controlled small proprietary companies

When a company is a foreign controlled small proprietary company that is not part of a 'large group', it may qualify for relief from preparing a financial report under ASIC Class Order 98/98. The definition of a 'large group' for the purpose of identifying whether ASIC Class Order 98/98 applies is as follows:

A 'group' is a 'large group' when, on a combined basis, the 'group' satisfies at least 2 of the following conditions for the financial year of the company in question:

(a) the combined revenue of the group for the relevant financial year is $25 million or more;

(b) the combined value of the gross assets of the group at the end of the relevant financial year is $12.5 million or more; and

(c) the group has 50 or more employees (part time employees being counted as an appropriate fraction of a full-time equivalent) at the end of the financial year.

The full definition of a large group in the class order notes that the amounts specified may be varied to any other amount prescribed for the purposes of paragraph 45A(2) of the Corporations Act 2001.

Where 'group' is defined to comprise:

(a) the company in question;

(b) any entity which controlled the company and which was incorporated or formed in Australia, or carries on business in Australia;

(c) any other entities ('the other entities') controlled by any foreign company which controls the company in question, which are incorporated or formed in Australia or carry on business in Australia; and

(d) any entities which are controlled by the company in question or the other entities (these entities can be Australian or foreign entities).

Combining financial statements is a process similar to consolidation except that it only includes the entities which fall within the definition of 'group'.

Audit relief for foreign controlled small proprietary companies

ASIC Class Order 98/1417 (dated 13 August 1998) relieves foreign controlled small proprietary companies that were not audited for a financial year ending during 1993, or in any later financial year, from the audit requirements of the Corporations Act 2001 provided certain conditions are satisfied. The conditions for audit relief are the same as those prescribed for large proprietary companies, as outlined on page C7.

Wholly-owned subsidiaries

Directors' report

All wholly-owned subsidiaries of companies incorporated in Australia need not include the information required by s.300(10) of the Corporations Act 2001 in the directors' report.

Financial report preparation, lodgement and audit relief

ASIC Class Order 98/1418 (dated 13 August 1998) exempts certain wholly-owned subsidiaries from the requirements to prepare a financial report and directors' report, have the financial report audited, distribute the financial report, directors' report and auditors' report to members, lay the reports before an annual general meeting, lodge the reports with the ASIC, and, in certain cases, appoint an auditor.

The relief is only available where:

(a) the parent entity of the company has a financial year which ends on the same date as the financial year of the company;
(b) the company is a public company, large proprietary company or a small proprietary company to which s.292(2)(b) applies;
(c) the company is not a borrower in relation to debentures, a disclosing entity or a financial services licensee;
(d) the parent entity of the company is not a small proprietary company;
(e) except in relation to a Deed of Cross Guarantee lodged with ASIC before 1 July 2004 – a company holds office as trustee under the Deed of Cross Guarantee;
(f) except in relation to a Deed of Cross Guarantee lodged with ASIC before 1 July 2004 – if the person holding office as trustee under the Deed of Cross Guarantee is a Group Entity within the meaning of that Deed, another person that is a company holds office as alternative trustee under that Deed;
(g) the company and every other entity (if any) in the closed group is party to a deed of cross guarantee, an original of which has been lodged with the ASIC. Deeds lodged with the ASIC on or after 1 July 2004 must be accompanied by a Certificate by a lawyer as to the preparation, execution and enforceability of the Deed.
(h) the directors, of the company and each other entity that is a party to the deed of cross guarantee, sign a statement, that immediately prior to the execution of the deed of cross guarantee, there were reasonable grounds to believe that each entity would be able to pay its debts as and when they fall due;
(i) the directors of the company have resolved that the company should obtain the benefit of this Class Order.

The main conditions of the Class Order are:

(a) the parent entity prepares consolidated financial statements which include additional information in relation to the deed of cross guarantee and depending on the entities consolidated, include in a note to the financial statements a detailed statement of financial position and statement of comprehensive income / income statement, opening and closing retained profits, dividends provided for or paid, and transfers to and from reserves, for those entities party to the deed of cross guarantee;
(b) the directors of the parent entity sign a statement, within 4 months of year end, that there are reasonable grounds to believe that the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee. This condition is usually satisfied by including the statement in the directors' declaration of the parent entity's financial report;
(c) When the relief is first applied, the directors sign and lodge a notice, within 4 months of year end, containing (using Form 389):
    i. a statement that the company has taken advantage of the relief under this Class Order;
    ii. a short statement of the nature of the deed of cross guarantee;
    iii. a list of the parties to the deed of cross guarantee, separately identifying the parent entity and members of the wholly-owned group and the other members of the extended closed group;

    Another notice is lodged when the company ceases to apply the relief.

Company limited by guarantee

Audit relief for certain companies limited by guarantee

A company limited by guarantee may have its financial report for a financial year reviewed, rather than audited, if:

(a) the company is not one of the following:
    i. a Commonwealth company for the purposes of the Commonwealth Authorities and Companies Act 1997;
    ii. a subsidiary of a Commonwealth company for the purposes of that Act;
    iii. a subsidiary of a Commonwealth authority for the purposes of that Act; and
(b) one of the following is true:
    i. the company is not required by the accounting standards to be included in consolidated financial statements and the revenue of the company for the financial year is less than $1 million;
    ii. the company is required by the accounting standards to be included in consolidated financial statements and the consolidated revenue of the consolidated entity for the financial year is less than $1 million.

Preparation of financial reports - small company limited by guarantee

A small company limited by guarantee (as defined below) is not required to prepare a financial report under Part 2M.3 of the Corporations Act 2001 unless:

(a) 5% or more of the members request that a financial report be prepared; or

(b) the ASIC requests that a financial report be prepared.

If 5% or more of the members request that a financial report be prepared, a directors' report need not be prepared and the financial report need not be prepared in accordance with Accounting Standards if the members' request specifies that a directors' report is not required and that Accounting Standards need not be complied with. In addition, the financial report need only be audited or reviewed if the members' request asks for the financial report to be audited or reviewed.

If the ASIC requests that a financial report be prepared, the financial report is to be prepared in accordance with the request (i.e. the request may or may not require that the financial report be prepared in accordance with Accounting Standards or be subject to an audit).

<u>Definition</u>

A company is a small company limited by guarantee in a particular financial year if:

(a) it is a company limited by guarantee for the whole of the financial year; and

(b) it is not a deductible gift recipient at any time during the financial year; and

(c) either:

  i. where the company is not required by the accounting standards to be included in consolidated financial statements – the revenue of the company for the financial year is less than $250,000; or

  ii. where the company is required by the accounting standards to be included in consolidated financial statements – the consolidated revenue of the consolidated entity for the financial year is less than $250,000; and

(d) it is not one of the following:

  iii. a Commonwealth company for the purposes of the Commonwealth Authorities and Companies Act 1997;

  iv. a subsidiary of a Commonwealth company for the purposes of that Act;

  v. a subsidiary of a Commonwealth authority for the purposes of that Act; and

(e) it has not been a transferring financial institution of a State or Territory within the meaning of clause 1 of Schedule 4 to this Act; and

(f) it is not a company that is permitted to use the expression building society, credit society or credit union under section 66 of the Banking Act 1959 at any time during the financial year.

The full definition of a small company limited by guarantee in s.45B of the Corporations Act 2001 notes that the amounts specified in these definitions may be varied by the Regulations. At the time of printing no specified amounts have been varied by the Regulations.

Section 45B of the Corporations Act 2001 requires that revenue and consolidated revenue are to be calculated in accordance with accounting standards in force at the relevant time (even if the standards do not otherwise apply to the company).

True and fair view

Financial statements and notes thereto prepared to satisfy the reporting requirements of the Corporations Act 2001 must comply with Australian Accounting Standards and the Corporations Regulations 2001, even if compliance does not result in a true and fair view. Section 295(3) of the Corporations Act 2001 requires directors to provide additional information and explanations when compliance with Australian Accounting Standards and the Corporations Regulations 2001 would not give a true and fair view. This additional information and explanation should be given by way of a note to the financial statements.

A company may apply to the ASIC under s.340 of the Corporations Act 2001 for accounting and audit relief. ASIC Regulatory Guide 43 indicates the ASIC's interpretation of the preconditions which need to be satisfied in order to obtain relief.

Rounding off of amounts

General

Where total assets of the company, registered scheme, disclosing entity or financial services licensee exceed:

$10 million	Rounding off to the nearest thousand dollars is permitted. Each page must clearly indicate where this has been done (refer Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 (ASIC-CI 2016/191)).
$1,000 million	Rounding off to the nearest hundred thousand dollars is permitted. Each page must clearly indicate where this has been done (refer ASIC-CI 2016/191 dated 24 March 2016). These amounts should be presented in the form of a whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars, with a clear indication that the amounts are presented in millions of dollars.
$10,000 million	Rounding off to the nearest million dollars is permitted. Each page must clearly indicate where this has been done (refer ASIC-CI 2016/191 dated 24 March 2016).

However, rounding is not allowed where rounding could adversely affect decisions about the allocation of scarce resources made by users of the financial report or the discharge of accountability by management or the directors.

The relevant financial report or report must state that the company is of a kind referred to in the Corporations Instrument and that amounts in the directors' report and the financial report have been rounded in accordance with the Corporations Instrument.

Amounts rounded down to zero may be indicated by 'nil' or the equivalent thereof. In addition, an item that is rounded down to nil in the financial report for the current and comparative accounting periods may be omitted completely.

Special rules

When rounding amounts pursuant to ASIC-CI 2016/191 it is important to remember that:

(a) where an entity rounds amounts to the nearest $100,000 or $1,000,000, the following items must be rounded only to the nearest $1,000; and

(b) where a company rounds to the nearest $1,000, the following items must be presented in whole dollars (i.e. the following items cannot be rounded).

The items include:

(a) details, values and aggregates required to be disclosed in the directors' report under s.300(1)(g), s.300(8), s.300(9), s.300(11B), s.300(11C), s.300(13)(a), s.300A(1)(c) and s.300A(1)(e) of the Corporations Act 2001[2];

(b) amounts disclosed under AASB 2 'Share-based Payment' paragraph 50;

(c) remuneration of auditors disclosed under AASB 1054 'Additional Australian Disclosures' paragraph 10;

(d) compensation to key management personnel disclosed under AASB 124 'Related Party Disclosures' paragraph 17; and

(e) transactions between related parties disclosed under AASB 124 'Related Party Disclosures' paragraphs 18 and 19.

EPS and option disclosures

In addition:

(a) earnings per share may be rounded to one tenth of one cent (disclosed in accordance with AASB 133 'Earnings per Share' paragraphs 66 and 69); and

(b) information disclosed in accordance with AASB 2 'Share-based Payment' paragraphs 44 and 46 and s.300(6)(c), s.300(7)(d) and s.300(7)(e) of the Corporations Act about the prices for shares and options may be rounded to one cent.

Rounding by lower amounts

Where considered appropriate, and provided certain conditions are satisfied, amounts may be rounded off to a lesser extent than that detailed above. For example, a company with total assets exceeding $10,000 million may wish to round to the nearest $1,000 or $100,000 even though it is permitted to round to the nearest $1 million.

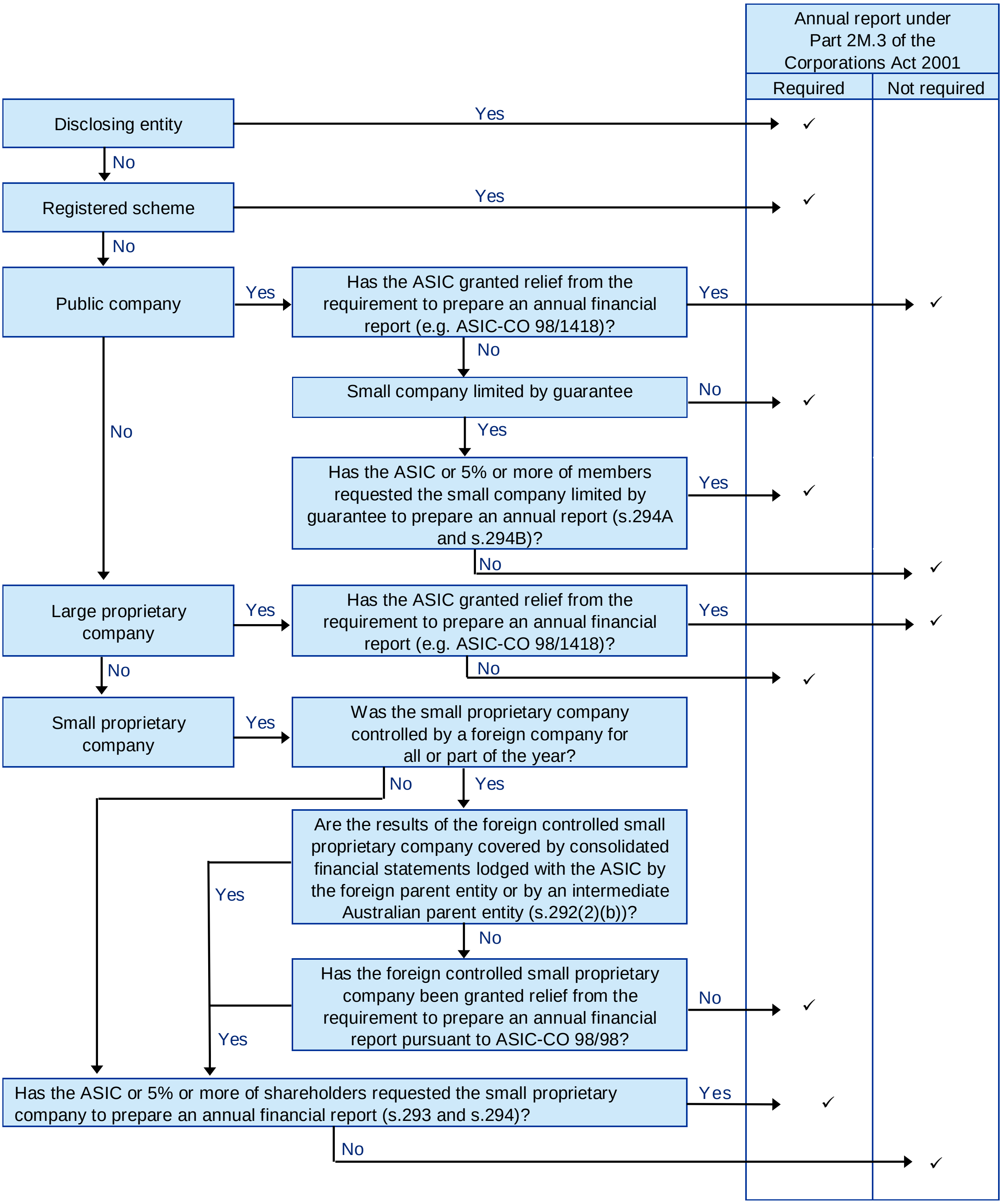
---

[2] Information required by Regulation 2M.3.03 is considered to be caught by the references to s.300A above.

Corporations Act 2001 reporting requirements

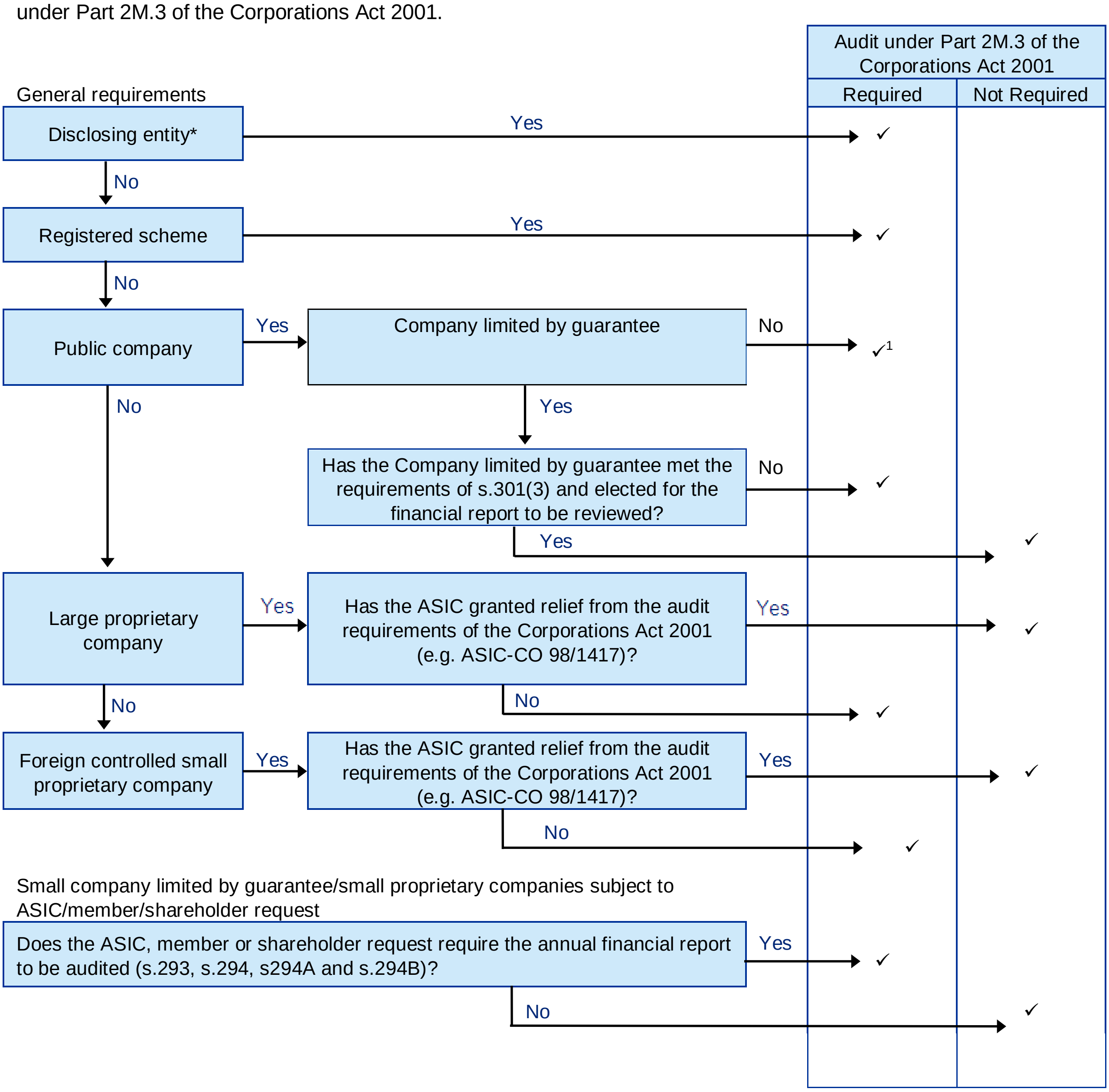
Preparation of an annual report

The following flowchart assists in determining whether an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act 2001.



Audit of the annual financial report

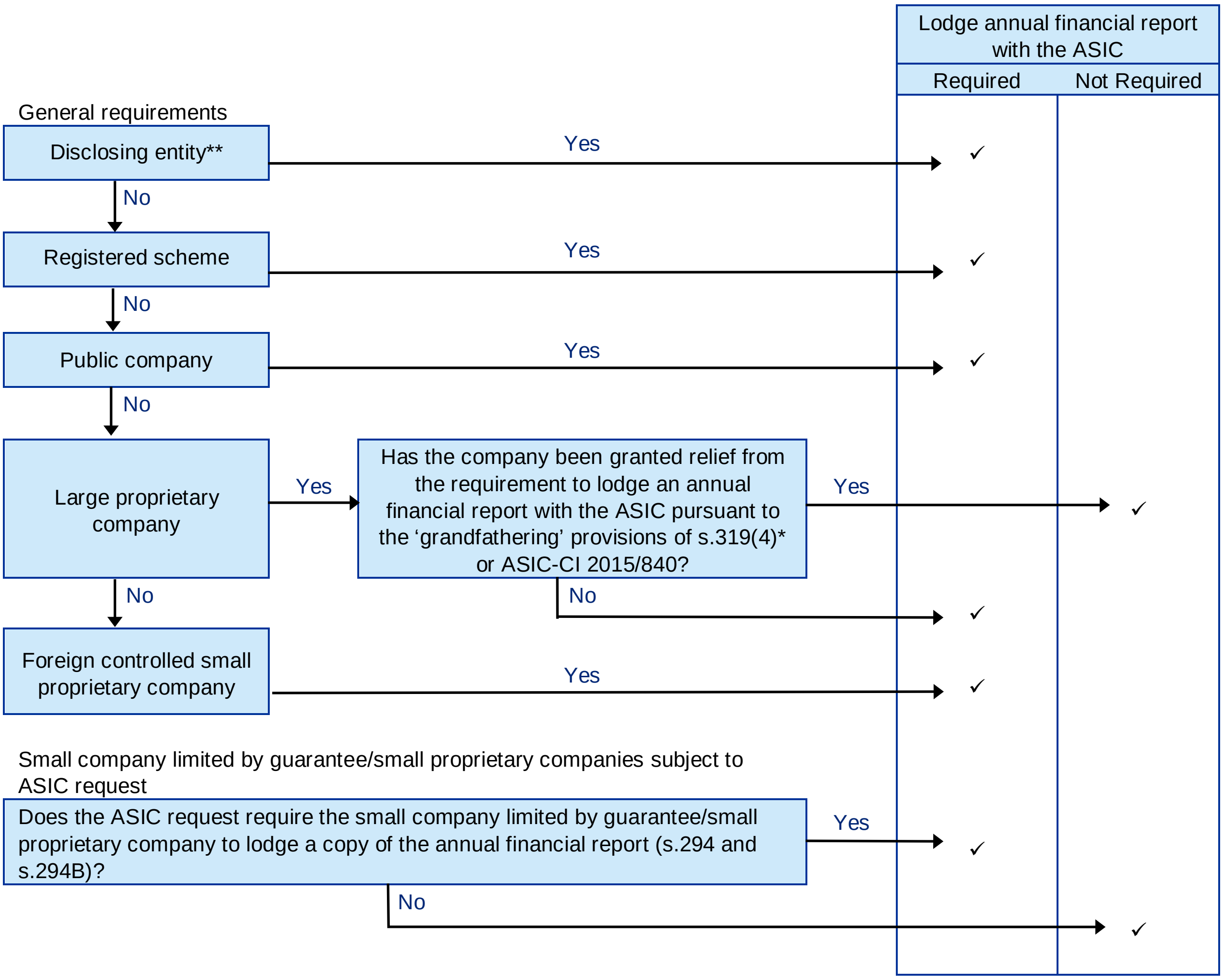
Having determined that an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act 2001, the following flowchart assists in determining whether the annual financial report is required to be audited under Part 2M.3 of the Corporations Act 2001.



* Effective for financial years beginning on or after 28 June 2007, if the directors' report for the financial year includes a remuneration report (required for listed disclosing entities that are companies only), the auditor must also report to members on whether the auditor is of the opinion that the remuneration report complies with s.300A of the Corporations Act 2001.

Lodgement of the annual report with the ASIC

Having determined that an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act 2001, the following flowchart assists in determining whether the annual report is required to be lodged with the ASIC.



* In accordance with the 'grandfathering' provisions of the former s.319(4) of the Corporations Law, which continues to apply in accordance with s.1408(6) of the Corporations Act 2001, a large proprietary company is not required to lodge an annual financial report with the ASIC provided:

- the company was an exempt proprietary company on 30 June 1994;
- the company continues to meet the definition of 'exempt proprietary company' (as in force at 30 June 1994) at all times since 30 June 1994;
- the company was a large proprietary company at the end of the first financial year after 9 December 1995;
- the company's financial statements for the financial year ending during 1993 and each later financial year have been audited before the deadline; and
- within 4 months after the end of the first financial year after 9 December 1995, the company lodged with the ASIC a notice that the company has applied for the lodgement relief granted by s.319(4).

** In accordance with Corporations (Electronic Lodgement of Financial Reports) Instrument 2016/181, listed companies or registered schemes are relived from the requirement to lodge a copy of their financial report, directors' report and auditor's report for the financial year (including any concise financial report) and half-year with the ASIC where those reports have already been electronically lodged with the ASX, National Stock Exchange of Australia, SIM Venture Securities Exchange Limited and Sydney Stock Exchange Limited.

ASIC class orders/corporations instrument

The following significant and relevant class orders/corporations instruments have been released by the ASIC:

Release number	Issue Date	Subject
98/96	10/07/98	Permits foreign controlled companies, registered schemes and disclosing entities to synchronise their financial year with that of their ultimate foreign parent entity where the foreign parent is required by law to synchronise the financial years of subsidiaries, provided certain conditions are satisfied.
98/98	10/07/98	Relieves foreign controlled small proprietary companies from the requirement to prepare, audit and lodge a financial report in circumstances where a financial report is not lodged by the foreign parent entity or intermediate Australian parent entity, provided certain conditions are satisfied. This Class Order has been amended by ASIC Class Order 07/822 to reduce the ongoing administrative obligations of eligible companies relying on the relief to lodge forms with the ASIC every year.
98/101	10/07/98	Relieves public companies, registered schemes and disclosing entities from the requirement to send a full or concise financial report to shareholders where the entity cannot establish the address of a shareholder, provided certain conditions are satisfied.
98/106	10/07/98	Relieves disclosing entities which are regulated superannuation funds, approved deposit funds or pooled superannuation trusts from preparing and lodging annual and half-year financial reports.
98/1417	13/08/98	Relieves large proprietary companies and foreign controlled small proprietary companies from the audit requirements of the Corporations Act 2001, provided certain conditions are satisfied. This class order has been amended by ASIC Class Order 10/545 to reduce the ongoing administration burden of eligible companies relying on the relief to lodge forms with the ASIC every year.
98/1418	13/08/98	Relieves wholly-owned subsidiaries from the requirement to prepare a financial report and to have that financial report audited, provided certain conditions are satisfied.
98/2016	30/10/98	Relieves entities from the disclosing entity requirements of Chapter 2M of the Corporations Act 2001 where the entity ceases to be a disclosing entity before their deadline and the directors resolve that there are no reasons to believe that the entity may become a disclosing entity before the end of the next financial year.
98/2395	24/12/98	Allows companies, registered schemes and disclosing entities to include certain information otherwise required to be disclosed in the directors' report to be transferred to a document attached to the financial report and directors' report.
02/1432	24/12/02	Relieves registered foreign companies from the requirement to lodge financial statements with the ASIC, provided certain conditions are satisfied.
03/392	05/06/03	Exempts companies in liquidation from the financial reporting obligations in Part 2M.3 of the Corporations Act 2001, and grants certain other externally administered companies an extension of time in which to lodge and, where applicable, distribute an upcoming financial report.
08/15	18/01/08	Relieves a disclosing entity from the requirement to prepare and lodge a half-year financial report and directors' report during the first financial year of the entity, where that first financial year lasts for 8 months or less, provided certain conditions are satisfied.
10/654	26/07/10	Allows companies, registered schemes and disclosing entities that present consolidated financial statements to include parent entity financial statements as part of their financial report under Chapter 2M of the Corporations Act 2001. This class order overcomes some unintended consequences resulting from the Corporations Amendment (Corporate Reporting Reform) Act 2010.
2015/838	18/09/15	**Corporations (Stapled Group Reports) Instrument 2015/838** Permits issuers of stapled securities to include their financial statements and the consolidated or combined financial statements of the stapled group in adjacent columns in one financial report, provided certain conditions are satisfied. Replaces ASIC Class Order 05/642.
2015/839	18/09/15	**Corporations (Related Scheme Reports) Instrument 2015/839** Permits registered schemes with a common responsible entity (or related responsible entities) to include their financial statements in adjacent columns in a single financial report, provided certain conditions are satisfied. Replaces ASIC Class Order 06/441.

Release number	Issue Date	Subject
2015/840	18/09/15	**Corporations (Exempt Proprietary Companies) Instrument 2015/840** Relieves large proprietary companies in which an ownership (but not a controlling interest) is held by a foreign company or which have an authorised trustee company as a non-beneficial member from the requirement to lodge a financial report, directors' report and auditors' report with the ASIC, provided certain conditions are satisfied. Replaces ASIC Class Order 05/638.
2015/841	18/09/15	**Corporations (Non-Reporting Entities) Instrument 2015/841** Allows non-reporting entities to take advantage of concessions or other modifications of the recognition and measurement requirements of accounting standards that are available to reporting entities, provided that the financial report complies with all recognition and measurement requirements as if it were a reporting entity. Replaces ASIC Class Order 05/639.
2015/842	18/09/15	**Corporations (Post Balance Date Reporting) Instrument 2015/842** Permits the presentation of a statement of financial position (and where applicable a consolidated statement of financial position) in the notes to the financial statements explaining the financial effect of material acquisitions and disposals of entities and businesses after the balance date. Replaces ASIC Class Order 05/644.
2016/181	24/03/16	**Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181** Relieves listed companies or registered schemes from the requirement to lodge a copy of their financial report, directors' report and auditors' report for the financial year (including any concise financial report) and half-year with the ASIC where those reports have already been electronically lodged with the ASX, National Stock Exchange of Australia, SIM Venture Securities Exchange Limited and Sydney Stock Exchange Limited. Replaces ASIC Class Order 98/104.
2016/186	24/03/16	**Corporations (Foreign Licensees and ADIs) Instrument 2016/186** Relieves certain foreign licensees from the requirement under Division 6 of Part 7.8 of the Corporations Act 2001 to prepare and lodge audited financial statements and keep certain financial records in relation to its financial services business. Replaces ASIC Class Order 06/68.
2016/191	24/03/16	**Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191** Permits rounding off in the directors' report and financial report where total assets exceed $10 million, $1,000 million and $10,000 million. Replaces ASIC Class Order 98/100.

Reporting deadlines

The following table summarises the reporting deadlines under the Corporations Act 2001 and ASX Listing Rules (where relevant).

Source reference	Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
Half-year report							
ASX4.2A, ASX4.2A.3, ASX4.2B	Lodgement of Appendix 4D with the ASX	As soon as available (no later than when half-year reports are lodged with the ASIC, and no later than 2 months after the half-year end)[1]	n/a	n/a	n/a	n/a	n/a
ASX4.2A, ASX4.2A.1, ASX4.2B	Lodgement of the Corporations Act 2001 half-year report with the ASX	As soon as available (no later than when half-year reports are lodged with the ASIC, and no later than 2 months after the half-year end)[2]	n/a	n/a	n/a	n/a	n/a
s.320	Lodgement of the Corporations Act 2001 half-year report with the ASIC	n/a (ASIC-CI 2016/181)	Within 75 days after the half-year end	n/a	n/a	n/a	n/a

Source reference	Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
Annual report							
ASX4.3A, ASX4.3B	Lodgement of Appendix 4E with the ASX	As soon as available (and no later than 2 months after the year end)[3]	n/a	n/a	n/a	n/a	n/a
ASX4.5, ASX4.5.1	Lodgement of the Corporations Act 2001 annual report and concise report with the ASX	As soon as available (and no later than 3 months after the year end)	n/a	n/a	n/a	n/a	n/a
ASX4.7.3, ASX4.7.4	Lodgement of Appendix 4G with the ASX (and corporate governance statement to the extent not included in the annual report)	Same time as annual report distributed to the members	n/a	n/a	n/a	n/a	n/a
s.319	Lodgement of the Corporations Act 2001 annual report and concise report with the ASIC	n/a (ASIC-CI 2016/181)	Within 3 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 3 months after the year end
ASX4.7, ASX4.7.1, s.315	Distribution of the Corporations Act 2001 annual report or concise report to the members (and to the ASX, for listed entities)[4, 5]	Earlier of 21 days before the AGM or 4 months after the year end	Earlier of 21 days before the AGM or 4 months after the year end	Earlier of 21 days before the AGM or 4 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 3 months after the year end
Annual general meetings							
s.250N	Hold the AGM	Within 5 months after the year end (if a public company)	Within 5 months after the year end (if a public company)	Within 5 months after the year end (if more than 1 member company)[6]	n/a	n/a	n/a

[1] Mining exploration entities or oil and gas exploration entities are not required to provide the information set out in the Appendix 4D.

[2] The deadline for lodgement of the half-year report for mining exploration entities or oil and gas exploration entities is 75 days after the end of the accounting period.

[3] Mining exploration entities or oil and gas exploration entities are not required to provide the information set out in the Appendix 4E.

[4] An entity need not give the ASX the annual report if it comprises only the documents already given to the ASX under ASX Listing Rule 4.5. The entity must tell the ASX if this is the case.

[5] If the entity is not established in Australia, the annual report must be given to the ASX by the earlier of the first day the entity sends the documents to security holders under the law of the place of its establishment or the last day for the documents to be given to security holders under that law (see ASX Listing Rule 4.7.2).

[6] Note: a wholly-owned public company is not required to hold an AGM under s.250N(4).

The following table summarises the reporting deadlines for annual reporting periods ending 30 June 2016. Note: These reporting deadlines will be applicable to the majority of entities; however care should be taken to ensure that the dates noted below are the appropriate dates for the entity in question.

Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
Annual reporting period ending 30 June 2016						
Lodgement of Appendix 4E with the ASX	31 Aug 2016	n/a	n/a	n/a	n/a	n/a
Lodgement of the Corporations Act 2001 annual report and concise report with the ASX	30 Sep 2016	n/a	n/a	n/a	n/a	n/a
Lodgement of the Corporations Act 2001 annual financial report and concise report with the ASIC	n/a	30 Sep 2016	31 Oct 2016	31 Oct 2016	31 Oct 2016	30 Sep 2016

Other small proprietary companies

With the exception of certain foreign controlled small proprietary companies (refer above), small proprietary companies are not required to prepare an annual financial report under Part 2M.3 of the Corporations Act 2001, unless requested to do so by either:

(a) the ASIC; or

(b) 5% or more of the shareholders of the company.

ASIC request

In the event that a small proprietary company (not otherwise required to prepare and lodge an annual financial report under Part 2M.3 of the Corporations Act 2001) is requested by the ASIC to prepare and lodge an annual financial report, the deadline for lodgement with the ASIC is the date specified in the request (s.294).

Shareholders' request

In the event that a small proprietary company (not otherwise required to prepare an annual financial report under Part 2M.3 of the Corporations Act 2001) is requested by 5% or more of the shareholders to prepare and distribute an annual financial report, the deadline for the distribution is the later of (s.315(2)):

(a) 2 months after the date on which the request is made; or

(b) 4 months after the end of the financial year.

Where a small proprietary company is required to prepare an annual financial report in accordance with a shareholders' request, a directors' report need not be prepared and that financial report is not required to be made out in accordance with Accounting Standards where the shareholders' request specifies that a directors' report is not required to be prepared and that Accounting Standards need not be complied with. In addition, the annual financial report is only required to be audited where the shareholders' request asks for an audit to be performed.

Signing the annual financial report and half-year financial report

The directors' report and directors' declaration must be prepared and signed off in time to comply with the lodgement and distribution deadlines of the Corporations Act 2001 (as detailed above).

The directors' report and directors' declaration (made out in accordance with a directors' resolution) need only be signed by one director, for example, the chairman of the board. The board of directors can however choose to have more than one director sign the directors' report or directors' declaration.

Notice of members' meetings

In relation to proprietary companies and unlisted public companies, 21 days notice must be given for all members' meetings (unless a longer notice period is specified in the company's constitution). However, the Corporations Act 2001 makes provision for the members to agree to a shorter notice period, other than notice periods for members' meetings in which a resolution will be moved to appoint or remove directors, or remove the auditor of the company.

In relation to listed companies, 28 days notice must be given for all members' meetings (unless a longer notice period is specified in the company's constitution).