



**Model special purpose financial  
statements**

16th Edition

November 2021

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## IMPORTANT INFORMATION

The information in this document is current as of 19 November 2021. Entities should ensure any developments occurring after this date are appropriately taken into account. This publication is updated on an 'as needed' basis. The latest edition can be found at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

In particular, entities preparing special purpose financial statements under the *Corporations Act 2001* for annual reporting periods beginning before 1 July 2021 may wish to refer to the 15<sup>th</sup> edition of our model special purpose statements, which are available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

# About the model special purpose financial statements

## Purpose and basis of preparation

### Summary

These model special purpose financial statements have been designed by Deloitte Touche Tohmatsu to assist users with the preparation of **special purpose financial statements** for an entity that has a **non-legislative requirement** to prepare financial statements, is **not a reporting entity**, and which chooses to:

- Prepare financial statements in accordance with the recognition and measurement requirements of all Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (to the extent relevant to the entity)
- Comply with 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*.

### About SPFS Holdings Unit Trust

SPFS Holdings Unit Trust is an **unlisted for-profit entity** and is assumed to have presented special purpose financial statements for a number of years. Therefore, it is not a first-time adopter of Australian Accounting Standards. AASB 1 *First-time Adoption of Australian Accounting Standards* includes additional requirements for an entity's first Australian-Accounting-Standards financial statements, which are not considered in this publication.

### Assumptions

These special purpose financial statements have been prepared based on certain assumptions, including that SPFS Holdings Unit Trust:

- Is preparing financial statements in accordance with a non-legislative requirement<sup>1</sup>
- Is not required to prepare financial statements under the *Corporations Act 2001* or another legislative requirement
- Is not a reporting entity as defined in Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*
- Has subsidiaries (accounted for using the cost method) and equity accounted investments
- Has chosen to prepare separate financial statements and is not preparing consolidated financial statements<sup>2</sup>
- Is not subject to income tax (as it is a pass-through entity for tax purposes)
- Has a functional currency of Australian dollars.

These model financial statements do not cover all situations that may be encountered in practice, knowledge of the relevant provisions of the entity's reporting mandate, Accounting Standards and Interpretations are prerequisites for the preparation of financial statements.

### Accounting policy choices

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

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<sup>1</sup> A non-legislative requirement to prepare financial statements may arise from the entity's constituting or another document, e.g. the entity's constitution, a finance or loan agreement, or shareholder agreement.

<sup>2</sup> For guidance on consolidated financial statements refer to the various editions of the Deloitte Tier 1 and Tier 2 models, which are available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

## Dates

This document has been updated based on legislation, pronouncements, guidance and other information as of 19 November 2021. The financial statements illustrate the versions of applicable pronouncements that are applicable to annual reporting periods beginning on or after 1 January 2021.

## Considerations in preparing special purpose financial statements

### Reporting entity concept

#### General requirements

Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*, defines reporting entities as “all entities (including economic entities) 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” (SAC 1:40). Where an entity or economic entity is a reporting entity, it must prepare general purpose financial reports (SAC 1:41).

Entities that are not reporting entities can choose to prepare special purpose financial statements.

Where an entity is preparing special purpose financial statements, those charged with governance of the entity should ensure they have appropriately considered and documented that the entity is not a reporting entity in accordance with SAC 1.

Further guidance on the reporting entity concept can be found in the *Australian financial reporting guide*, available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

### Changes effective for annual periods beginning on or after 1 July 2021

As a result of AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*, the following entities **cannot** apply SAC 1 and cannot prepare special purpose financial statements in the circumstances described (SAC 1.2A):

- For-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards. This includes entities reporting under the Corporations Act as well as other legislation of the Federal, State or Territory governments in Australia (e.g. co-operatives, incorporated associations and higher education providers)
- Other for-profit private sector entities that are required only by the constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021
- Other for-profit entities (private sector or public sector) that elect to prepare general purpose financial statements.

In addition, if any of the above entities elect to apply the *Conceptual Framework for Financial Reporting* to an annual reporting period prior to its mandatory application for the entity, the entity is also prohibited from applying SAC 1.

In conjunction with these changes, the AASB has introduced new 'Tier 2' general purpose financial statements. These requirements are outlined in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060), which replaces 'Reduced Disclosure Requirements' (RDR).

The new requirements apply to periods beginning on or after 1 July 2021. Entities may early adopt the requirements, and this may be attractive for some categories of entities.



More information about the removal of the reporting entity concept can be found in our *Clarity* publication *Removal of special purpose financial statements* (available at [www.deloitte.com/au/clarity](http://www.deloitte.com/au/clarity)).

Further information about the changes and the broader differential reporting framework in Australia can be found in our *Deloitte Australian financial reporting guide*, which is available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

Entities preparing special purpose financial statements under the *Corporations Act 2001* for annual reporting periods beginning before 1 July 2021 can refer to the 15<sup>th</sup> edition of our model special purpose statements, which is available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

## Professional requirements

Accounting Professional & Ethical Standard APES 205 *Conformity with Accounting Standards* specifies the professional obligations of all members of Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants to comply with Accounting Standards when they prepare, present, audit, review or compile financial statements, which are either general purpose financial statements or special purpose financial statements.

Under APES 205, members who are involved in, or are responsible for, the preparation, presentation, audit, review of compilation of an entity's special purpose financial statements (except where the special purpose financial statements will be used solely for internal purposes) must take all reasonable steps to ensure that the special purpose financial statements, and any associated audit report, review report or compilation report clearly identifies (APES 205:6.1):

- That the financial statements are special purpose financial statements
- The purpose for which the special purpose financial statements have been prepared
- The significant accounting policies adopted in the preparation and presentation of the special purpose financial statements<sup>3</sup>.

## Considering the information needs of users

Preparers of special purpose financial statements should consider the specific information needs of the users to determine the level of disclosure necessary to satisfy those needs. In addition, preparers need to ensure the financial statements and notes comply with the requirements of the reporting mandate under which the special purpose financial statements are being prepared.

This may require the disclosure of information in addition to that illustrated in these financial statements. Where appropriate, additional disclosure requirements derived from Accounting Standards may be prepared by reference to the various editions of our Deloitte model financial statements and *Australian financial reporting guide*, available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

## Reporting periods

These model special purpose financial statements have not been prepared for a particular financial reporting period. Dates are shown in "20X1" format. Entities need to ensure that appropriate dates are used in their special purpose financial statements to meet the requirements of AASB 101 *Presentation of Financial Statements* (where that Accounting Standard is being applied).

Where this document is used for financial reporting periods ending after 31 December 2021, entities also need to ensure that any changes in pronouncements are appropriately considered and reflected in financial statements developed using this document. Entities may wish to refer to later editions of other model financial statements. These can be found at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

<sup>3</sup> AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* amends a number of pronouncements to require entities to disclose material accounting policy information rather than significant accounting policies. AASB ED 312 *Disclosure of Accounting Policies – Proposed Amendments to Tier 2 and Other Australian Accounting Standards* proposes equivalent changes in a number of other Australian Accounting Standards. The application date and proposed application date of these amendments is annual periods beginning on or after 1 January 2023. At the date of finalisation of these model financial statements, equivalent amendments had not been made by the APESB to APES 205.

## Showing 'nil' amounts

In these model financial statements amounts are not shown for each line item. We have illustrated items that might be commonly encountered in practice. This does not mean that we have illustrated all possible disclosures. Nor should it be taken to mean that, in practice, entities are required to display all line items, especially where nil amounts are shown.

## Not-for-profit entities

Illustrative disclosures and guidance applicable only to not-for-profit entities have been highlighted in this document by being shaded using medium teal colouring as illustrated here.

## Specialist entities

This illustration is not designed to meet specific needs of a first-time adopter of Australian Accounting Standards, specialised industries or the specific information needs of any particular special purpose users. Rather, it is intended to illustrate the minimum information to be disclosed in the financial statements of an entity that is not a reporting entity in order to satisfy the reporting requirements of a hypothetical non-legislative reporting mandate that:

- Requires the preparation of financial statements in accordance with the recognition and measurement requirements of all Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (to the extent relevant to the entity)
- Requires or permits compliance with 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*.

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 these illustrative financial statements. Where doubt exists as to the appropriate treatment, examination of the source of the disclosure requirement is recommended.

In some cases, additional references to other pronouncements are provided that are not mandatory in special purpose financial statements, but which may provide a useful basis in developing disclosures in financial statements in accordance with the mandatory requirements for special purpose financial statements prepared under the *Corporations Act 2001*. These source references are provided in parentheses.

## Deloitte Australian financial reporting guide

Entities preparing special purpose financial statements may find the information in the *Deloitte Australian financial reporting guide* useful. The guide provides a roadmap to financial reporting requirements and the differential reporting framework in Australia.



**The Deloitte Australian financial reporting guide is available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models). References to sections in the guide in these model special purpose financial statements are to the 10<sup>th</sup> Edition published in June 2021. Entities may wish to refer to later editions of the guide if they are available.**

## Abbreviations

Abbreviations used in this document are as follows:

| Term              | Meaning   |
|-------------------|---|
| s.                | Section of the <i>Corporations Act 2001</i>   |
| Reg               | Regulation of the <i>Corporations Regulations 2001</i>  |
| 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   |
| ASIC              | Australian Securities and Investments Commission  |
| ASIC-CI / ASIC-CO | Australian Securities and Investments Commission Corporations Instruments / Class Order issued pursuant to s.341(1) of the <i>Corporations Act 2001</i> |
| ASIC-RG           | Australian Securities and Investments Commission Regulatory Guide   |
| ED                | Exposure Draft issued by the Australian Accounting Standards Board  |
| PS                | IFRS Practice Statement issued by the International Accounting Standards Board  |

# SPFS Holdings Unit Trust

Financial report for the financial year ended  
31 December 20X2



# Report to unitholders

## Source

### **Application to entities with a non-legislative requirement to prepare financial statements**

The requirement for a report to unitholders will depend on the entity's reporting mandate and the direction of those charged with governance for the entity.

Entities should therefore consider the requirement or desire for a report to unitholders and develop a report that is consistent with those factors.

Where the reporting mandate is high-level or unclear, those charged with governance of the entity may wish to refer to the following sources in developing the appropriate report:

- The requirements for directors' reports in Part 2M.3 of the *Corporations Act 2001* (available at [www.legislation.gov.au](http://www.legislation.gov.au))
- ASIC Regulatory Guide 247 *Effective disclosure in an operating and financial review* (RG 247, available at [www.asic.gov.au](http://www.asic.gov.au))
- ASX Guidance Note 10 *Review of Operations and Activities: Listing Rule 4.10.17* and the G100's *Guide to Review of Operations and Financial Condition* (both available at [www.asx.com.au](http://www.asx.com.au)),
- IFRS Practice Statement 1 *Management Commentary* (available at [www.aasb.gov.au](http://www.aasb.gov.au))

More information about most of the above requirements, and illustrative disclosures where relevant and applicable, can be found in our *Tier 1 models and reporting considerations* publication, which is available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

# Independent auditor's report

## Source

Where the financial statements are subject to audit, an independent auditor's report is prepared by the auditor in accordance with Australian Auditing Standards.

# Statement by *[those charged with governance]*<sup>4</sup>

## Source

### Guidance

Special purpose financial statements prepared under a non-legislative reporting requirement should not refer to the *Corporations Act 2001* or other legislative requirements as these are not applicable in such financial statements. Instead, those charged with governance should provide information required by the reporting mandate and assert compliance with the basis of preparation of the financial statements.

In addition, the reporting mandate may require additional assertions about the financial statements or other matters, e.g. a statement of solvency. Preparers and auditors should ensure that any such additional requirements are met. The example below is based on best practice but should be modified as necessary.

## APES 205:6.1

As detailed in note 1 to the financial statements, SPFS Holdings Unit Trust is not a reporting entity because in the opinion of *[those charged with governance, e.g. the directors of the Trustee]*, 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, the attached special purpose financial statements have been prepared to satisfy *[state the reporting mandate, e.g. the requirements of the Trust's constitution]*.

*[Those charged with governance, e.g. the directors of the Trustee]* state:

- (a) There are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable
- (b) The attached financial statements and notes thereto present fairly the entity's financial position as at 31 December 20X2 and of its financial performance and its cash flows for the year then ended in accordance with *[state the reporting mandate, e.g. the requirements of the Trust's constitution]* and the accounting policies described in note 3.

*[Signed in accordance with a resolution of [those charged with governance, e.g. the directors of the Trustee].]*

On behalf of *[those charged with governance, e.g. the directors of the Trustee]*.

*(Signature)*

C.J. Chambers  
*[Title]*

Sydney, 14 April 20X3

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<sup>4</sup> "Those charged with governance" will depend on the form and nature of the entity. For instance, in the case of a trust, it may be the directors of the trustee of the trust. In some cases, the reporting mandate may require management to prepare the financial statements and, in this case,, a statement by management may be required.

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# Statement of profit or loss and other comprehensive income

For the year ended 31 December 20X2

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

**Source**

|                                    | Note | Year ended<br>31/12/20X2<br>\$'000 | Year ended<br>31/12/20X1<br>\$'000<br>(Restated)* |
|------------------------------------|------|------------------------------------|---|
| AASB 101:51(d), (e)<br>AASB 108:22 |      |                                    |   |
| <b>Continuing operations</b>       |      |                                    |   |
| AASB 101:82(a)                     |      |                                    |   |
| AASB 101:99                        |      |                                    |   |
| AASB 101:85                        |      |                                    |   |
| <b>Gross profit</b>                |      |                                    |   |
| AASB 101:99                        |      |                                    |   |
| AASB 101:99                        |      |                                    |   |
| AASB 101:99                        |      |                                    |   |
| AASB 101:82(c)                     |      |                                    |   |
| AASB 101:82(c)                     |      |                                    |   |
| AASB 101:85                        |      |                                    |   |
| AASB 101:85                        |      |                                    |   |
| AASB 101:82(aa)                    |      |                                    |   |
| AASB 101:82(ca)                    |      |                                    |   |
| AASB 101:82(cb)                    |      |                                    |   |
| AASB 101:82(ba)                    |      |                                    |   |
| AASB 101:85                        | 6    |                                    |   |
| AASB 101:82(b)                     |      |                                    |   |
| AASB 101:85                        |      |                                    |   |
| <b>Profit before tax</b>           |      |                                    |   |
| AASB 101:82(d)                     |      |                                    |   |
| AASB 101:85                        | 5    |                                    |   |
| <b>Discontinued operations</b>     |      |                                    |   |
| AASB 101:82(ea)                    | 8    |                                    |   |
| AASB 101:81A(a)                    |      |                                    |   |
| <b>Profit for the year</b>         |      |                                    |   |

Source

|  | Note  | Year ended<br>31/12/20X2<br>\$'000 | Year ended<br>31/12/20X1<br>\$'000<br>(Restated)* |
|--|---|------------------------------------|---|
| AASB 101:51(d), (e)<br>AASB 108:22<br>AASB 101:91(a) |   |                                    |   |
|  | <b>Other comprehensive income for the year</b>  |                                    |   |
| AASB 101:82A(a)(i), (b)(i)                           | <b>Items that will not be reclassified subsequently to profit or loss:</b>                                    |                                    |   |
| AASB 101:82A(a)(i)                                   | Gains/(losses) on property revaluation  |                                    |   |
| AASB 101:82A(a)(i)                                   | Remeasurement of net defined benefit liability  |                                    |   |
| AASB 101:82A(b)(i)                                   | Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI                           |                                    |   |
| AASB 101:82A(b)(i)                                   | Fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk |                                    |   |
| AASB 101:82A(b)(i)                                   | Share of other comprehensive income of associates   |                                    |   |
| AASB 101:82A(b)(i)                                   | Share of other comprehensive income of joint ventures   |                                    |   |
| AASB 101:82A(a)(i)                                   | Other <i>[describe]</i>   |                                    |   |
| AASB 101:90, 91(b)                                   | Income tax relating to items that will not be reclassified subsequently to profit or loss                     |                                    |   |
| AASB 101:82A(a)(ii), (b)(ii)                         | <b>Items that may be reclassified subsequently to profit or loss:</b>   |                                    |   |
| AASB 101:82A(a)(ii)                                  | Foreign exchange differences on translating foreign operations  |                                    |   |
| AASB 101:82A(a)(ii)                                  | Fair value gain/(loss) on investments in debt instruments measured at FVTOCI                                  |                                    |   |
| AASB 101:82A(a)(ii)                                  | Cash flow hedges – fair value gain/(loss) on hedging instruments during the period                            |                                    |   |
| AASB 101:82A(b)(ii)                                  | Share of other comprehensive income of associates   |                                    |   |
| AASB 101:82A(b)(ii)                                  | Share of other comprehensive income of joint ventures   |                                    |   |
| AASB 101:82A(a)(ii)                                  | Other <i>[describe]</i>   |                                    |   |
| AASB 101:90, 91(b)                                   | Income tax relating to items that will not be reclassified subsequently to profit or loss                     |                                    |   |
| AASB 101:81A(b)                                      | <b>Other comprehensive income for the year, net of income tax</b>   |                                    |   |
| AASB 101:81A(c)                                      | <b>Total comprehensive income for the year</b>  |                                    |   |

Additional sources: AASB 101:10(b), 10(ea), 10A, 51(b), 51(c), 113

\* The comparative information has been restated as a result of *[the change in accounting policy/prior period error]* discussed in note 2.



# Statement of profit or loss and other comprehensive income

For the year ended 31 December 20X2

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

**Source**

|  | Year ended<br>31/12/20X2<br>\$'000  | Year ended<br>31/12/20X1<br>\$'000<br>(Restated)* |
|--|---|---|
| AASB 101:51(d), (e)<br>AASB 108:22             |   |   |
| AASB 101:10A                                   |   |   |
| <b>Profit for the year</b>                     |   |   |
| <b>Other comprehensive income for the year</b> |   |   |
| AASB 101:82A(a)(i), (b)(i)                     | <b>Items that will not be reclassified subsequently to profit or loss:</b>                                    |   |
| AASB 101:82A(a)(i)                             | Gains/(losses) on property revaluation  |   |
| AASB 101:82A(a)(i)                             | Remeasurement of net defined benefit liability  |   |
| AASB 101:82A(b)(i)                             | Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI                           |   |
| AASB 101:82A(b)(i)                             | Fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk |   |
| AASB 101:82A(b)(i)                             | Share of other comprehensive income of associates   |   |
| AASB 101:82A(b)(i)                             | Share of other comprehensive income of joint ventures   |   |
| AASB 101:82A(a)(i)                             | Other <i>[describe]</i>   |   |
| AASB 101:90, 91(b)                             | Income tax relating to items that will not be reclassified subsequently to profit or loss                     |   |
| AASB 101:82A(a)(ii), (b)(ii)                   | <b>Items that may be reclassified subsequently to profit or loss:</b>   |   |
| AASB 101:82A(a)(ii)                            | Foreign exchange differences on translating foreign operations  |   |
| AASB 101:82A(a)(ii)                            | Fair value gain/(loss) on investments in debt instruments measured at FVTOCI                                  |   |
| AASB 101:82A(a)(ii)                            | Cash flow hedges – fair value gain/(loss) on hedging instruments during the period                            |   |
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| AASB 101:82A(a)(ii)                            | Other <i>[describe]</i>   |   |
| AASB 101:91(b)                                 | Income tax relating to items that may be reclassified subsequently to profit or loss                          |   |
| AASB 101:81A(b)                                | <b>Other comprehensive income for the year, net of income tax</b>   |   |
| AASB 101:81A(c)                                | <b>Total comprehensive income for the year</b>  |   |

\* The comparative information has been restated as a result of *[the change in accounting policy/prior period error]* discussed in note 2.

Additional sources: AASB 101:10(b), 10(ea), 10A, 51(b), 51(c), 113



# Statement of financial position

For the financial year ended 31 December 20X2

**Source**

AASB 101:113

AASB 101:51(d), (e)

|                           |  | Notes | <u>31/12/20X2</u><br>\$'000 | <u>31/12/20X1</u><br>\$'000<br>(Restated)* | <u>1/1/20X1</u><br>\$'000<br>(Restated)* |
|---------------------------|--|-------|-----------------------------|--|--|
| <b>Assets</b>             |  |       |                             |  |  |
| <b>Current assets</b>     |  |       |                             |  |  |
| AASB 101:60               |  |       |                             |  |  |
| AASB 101:54(i)            | Cash and bank balances                       | 30    |                             |  |  |
| AASB 101:54(h)            | Trade and other receivables                  | 10    |                             |  |  |
| AASB 101:55               | Finance lease receivables                    |       |                             |  |  |
| AASB 101:54(d)            | Other financial assets                       | 11    |                             |  |  |
| AASB 101:54(g)            | Inventories                                  | 12    |                             |  |  |
| AASB 101:54(n)            | Current tax assets                           |       |                             |  |  |
| AASB 101:55               | Other assets                                 | 17    |                             |  |  |
|                           |  |       |                             |  |  |
| AASB 101:54(j)            | Assets classified as held for sale           | 8     |                             |  |  |
|                           |  |       |                             |  |  |
|                           | <b>Total current assets</b>                  |       |                             |  |  |
| <b>Non-current assets</b> |  |       |                             |  |  |
| AASB 101:60               |  |       |                             |  |  |
| AASB 101:55               | Finance lease receivables                    |       |                             |  |  |
| AASB 101:54(d)            | Other financial assets                       | 11    |                             |  |  |
| AASB 101:54(a)            | Property, plant and equipment                | 13    |                             |  |  |
| AASB 101:55               | Right of use assets                          | 14    |                             |  |  |
| AASB 101:54(b)            | Investment property                          |       |                             |  |  |
| AASB 101:54(d)            | Investments in subsidiaries                  | 15    |                             |  |  |
| AASB 101:54(e)            | Investments in associates and joint ventures | 15    |                             |  |  |
| AASB 101:55               | Goodwill                                     |       |                             |  |  |
| AASB 101:54(c)            | Other intangible assets                      | 16    |                             |  |  |
| AASB 101:54(o)            | Deferred tax assets                          | 7     |                             |  |  |
| AASB 101:55               | Other assets                                 | 17    |                             |  |  |
|                           |  |       |                             |  |  |
|                           | <b>Total non-current assets</b>              |       |                             |  |  |
|                           | <b>Total assets</b>                          |       |                             |  |  |

**Source**

AASB 101:113

AASB 101:51(d), (e)

|                                |   | <b>31/12/20X2</b> | <b>31/12/20X1</b>  | <b>1/1/20X1</b>    |
|--------------------------------|---|-------------------|--------------------|--------------------|
|                                | <b>Notes</b>  | <b>\$'000</b>     | <b>\$'000</b>      | <b>\$'000</b>      |
|                                |   |                   | <b>(Restated)*</b> | <b>(Restated)*</b> |
| <b>Liabilities</b>             |   |                   |                    |                    |
| <b>Current liabilities</b>     |   |                   |                    |                    |
| AASB 101:60                    |   |                   |                    |                    |
| AASB 101:54(k)                 | Trade and other payables  | 18                |                    |                    |
| AASB 101:55                    | Lease liabilities   | 19                |                    |                    |
| AASB 101:55                    | Borrowings  | 20                |                    |                    |
| AASB 101:54(m)                 | Other financial liabilities   | 21                |                    |                    |
| AASB 101:54(n)                 | Current tax liabilities   |                   |                    |                    |
| AASB 101:55                    | Deferred income – government grant                                      |                   |                    |                    |
| AASB 101:54(l)                 | Provisions  | 22                |                    |                    |
| AASB 101:55                    | Other liabilities   | 23                |                    |                    |
|                                |   |                   |                    |                    |
| AASB 101:54(p)                 | Liabilities directly associated with assets classified as held for sale | 8                 |                    |                    |
|                                |   |                   |                    |                    |
|                                | <b>Total current liabilities</b>  |                   |                    |                    |
| <b>Non-current liabilities</b> |   |                   |                    |                    |
| AASB 101:60                    |   |                   |                    |                    |
| AASB 101:55                    | Lease liabilities   | 19                |                    |                    |
| AASB 101:55                    | Borrowings  | 20                |                    |                    |
| AASB 101:54(m)                 | Other financial liabilities   | 21                |                    |                    |
| AASB 101:55                    | Retirement benefit obligation   |                   |                    |                    |
| AASB 101:55                    | Deferred income – government grant                                      |                   |                    |                    |
| AASB 101:54(l)                 | Provisions  | 22                |                    |                    |
| AASB 101:54(o)                 | Deferred tax liabilities  |                   |                    |                    |
| AASB 101:55                    | Other liabilities   | 23                |                    |                    |
|                                |   |                   |                    |                    |
|                                | Total non-current liabilities   |                   |                    |                    |
|                                | <b>Total liabilities</b>  |                   |                    |                    |
|                                | <b>Net assets</b>   |                   |                    |                    |
| <b>Equity</b>                  |   |                   |                    |                    |
| AASB 101:55                    | Unitholders capital   | 24                |                    |                    |
| AASB 101:55                    | Reserves  | 25                |                    |                    |
| AASB 101:55                    | Retained earnings   | 26                |                    |                    |
|                                |   |                   |                    |                    |
|                                | <b>Total equity</b>   |                   |                    |                    |
|                                |   |                   |                    |                    |

Additional references: AASB 101:10(a), 10(ea), 10(f), 51(b), 51(c)

\* The comparative information has been restated as a result of [the change in accounting policy/prior period error] discussed in note 2.

## Source

AASB 101:40A

### Third statement of financial position

AASB 101:40A requires an entity to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) if:

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

Other than disclosures of certain specified information as required by AASB 101:41-44 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the related notes to the third statement of financial position are not required to be disclosed.

# Statement of changes in equity

For the year ended 31 December 20X2

**Source**

|                                       | Unitholder capital  | Properties revaluation reserve | Investments revaluation reserve | Financial liabilities at FVTPL credit risk 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            | \$'000 |
| AASB 101:106(d)<br>AASB 101:51(d)-(e) | <b>Balance at 1 January 20X1 (as previously reported)</b>   |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
| AASB 101:106(b)                       | Effect of change in accounting policy for <i>[describe]</i> |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | <b>Balance at 1 January 20X1 - as restated*</b>             |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Profit for the year   |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Other comprehensive income for the year                     |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | <b>Total comprehensive income for the year</b>              |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Payment of distributions                                    |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Share-based payments  |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | <b>Balance at 31 December 20X1</b>                          |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
| AASB 101:106(d)                       | Profit for the year   |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
| AASB 101:106(d)                       | Other comprehensive income for the year                     |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
| AASB 101:106(a)                       | <b>Total comprehensive income for the year</b>              |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
| AASB 101:106.(d)                      | Payment of distributions                                    |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Recognition of share-based payments                         |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Issue of convertible notes                                  |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Unit issue costs  |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Buy-back of ordinary units                                  |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Unit buy-back costs   |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Transfer to retained earnings                               |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Income tax relating to transactions with owners             |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | Other <i>[describe]</i>                                     |                                |                                 |  |                       |                           |                                      |                                     |                   |        |
|                                       | <b>Balance at 31 December 20X2</b>                          |                                |                                 |  |                       |                           |                                      |                                     |                   |        |

Additional sources: AASB 101:10(c), 10(ea), 51(b), 51(c), 106, 106A

\* The comparative information has been restated as a result of *[the change in accounting policy/prior period error]* discussed in note 2.

# Statement of cash flows

For the year ended 31 December 20X2

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

**Source**

|                     | Notes   | Year ended<br>31/12/20X2 | Year ended<br>31/12/20X1 |
|---------------------|---|--------------------------|--------------------------|
|                     |   | \$'000                   | \$'000<br>(Restated)*    |
| AASB 101:51(d), (e) |   |                          |                          |
| AASB 107:10         |   |                          |                          |
|                     | <b>Cash flows from operating activities</b>                     |                          |                          |
| AASB 107:18(a)      | Receipts from customers   |                          |                          |
|                     | Payments to suppliers and employees                             |                          |                          |
|                     | <b>Cash [generated from / (used in)] operations</b>             |                          |                          |
|                     | Government grants received                                      |                          |                          |
| AASB 107:31         | Interest paid   |                          |                          |
| AASB 107:31         | Interest received   |                          |                          |
|                     | Transaction costs related to loans and borrowings               |                          |                          |
| AASB 107:35         | Income taxes paid to head entity for tax funding agreement      |                          |                          |
|                     | <b>Net cash [from/ (used in)] operating activities</b>          |                          |                          |
| AASB 107:10         |   |                          |                          |
|                     | <b>Cash flows from investing activities</b>                     |                          |                          |
| AASB 107:31         | Dividends received from subsidiaries                            |                          |                          |
| AASB 107:31         | Dividends received from associates and joint ventures           |                          |                          |
|                     | Dividends received from equity instruments designated at FVTOCI |                          |                          |
|                     | Proceeds on disposal of equity instruments held at FVTOCI       |                          |                          |
|                     | Amounts advanced to related parties                             |                          |                          |
|                     | Repayments by related parties                                   |                          |                          |
|                     | Purchases of property, plant and equipment                      |                          |                          |
|                     | Government grants towards purchase of equipment                 |                          |                          |
|                     | Proceeds on disposal of property, plant and equipment           |                          |                          |
|                     | Payments for investment property                                |                          |                          |
|                     | Proceeds from disposal of investment property                   |                          |                          |
|                     | Payments for intangible assets                                  |                          |                          |
|                     | Acquisition of investment in associate                          |                          |                          |
|                     | Net cash inflow on disposal of associate                        |                          |                          |
| AASB 107:39         | Acquisition of businesses                                       | 28                       |                          |
| AASB 107:39         | Disposal of businesses  | 29                       |                          |
|                     | <b>Net cash [(used in)/from] investing activities</b>           |                          |                          |





Source

|                                    |   | Notes | Year ended<br>31/12/20X2<br>\$'000 | Year ended<br>31/12/20X1<br>\$'000<br>(Restated)* |
|------------------------------------|---|-------|------------------------------------|---|
| AASB 101:51(d), (e)<br>AASB 108:22 |   |       |                                    |   |
| AASB 107:10                        | <b>Cash flows from investing activities</b>                     |       |                                    |   |
| AASB 107:31                        | Dividends received from associates and joint ventures           |       |                                    |   |
|                                    | Dividends received from equity instruments designated at FVTOCI |       |                                    |   |
|                                    | Proceeds on disposal of equity instruments held on FCTOCI       |       |                                    |   |
|                                    | Amounts advanced to related parties                             |       |                                    |   |
|                                    | Repayments by related parties                                   |       |                                    |   |
|                                    | Purchases of property, plant and equipment                      |       |                                    |   |
|                                    | Government grants towards purchase of equipment                 |       |                                    |   |
|                                    | Proceeds on disposal of property, plant and equipment           |       |                                    |   |
|                                    | Payments for investment property                                |       |                                    |   |
|                                    | Proceeds from disposal of investment property                   |       |                                    |   |
|                                    | Payments for intangible assets                                  |       |                                    |   |
|                                    | Acquisition of investment in associate                          |       |                                    |   |
|                                    | Net cash inflow on disposal of associate                        |       |                                    |   |
| AASB 107:39                        | Acquisition of businesses                                       | 28    |                                    |   |
| AASB 107:39                        | Disposal of businesses  | 29    |                                    |   |
|                                    | <b>Net cash [(used in)/from] investing activities</b>           |       |                                    |   |
| AASB 107:10                        | <b>Cash flows from financing activities</b>                     |       |                                    |   |
| AASB 107:31                        | Distributions paid  |       |                                    |   |
| AASB 107:17(d)                     | Repayment of loans and borrowings                               |       |                                    |   |
| AASB 107:17(c)                     | Proceeds from loans and borrowings                              |       |                                    |   |
| AASB 107:17(e)                     | Repayment of lease liabilities                                  |       |                                    |   |
| AASV 107.17(a)                     | Proceeds on issue of units                                      |       |                                    |   |
| AASB 107:17(b)                     | Payment for buy-back of units                                   |       |                                    |   |
|                                    | Payment for unit buy-back costs                                 |       |                                    |   |
| AASB 107:17(c)                     | Proceeds from issue of perpetual notes                          |       |                                    |   |
| AASB 107:17(c)                     | Proceeds from government loans                                  |       |                                    |   |
|                                    | <b>Net cash [(used in)/from] financing activities</b>           |       |                                    |   |



**Source**

|  | Notes | Year ended<br>31/12/20X2<br>\$'000 | Year ended<br>31/12/20X1<br>\$'000<br>(Restated)* |
|--|-------|------------------------------------|---|
| AASB 101:51(d), (e)<br>AASB 108:22                                   |       |                                    |   |
| <b>Net <i>[increase/(decrease)]</i> in cash and cash equivalents</b> |       |                                    |   |
| <b>Cash and cash equivalents at the beginning of the year</b>        |       |                                    |   |
| AASB 107:28  |       |                                    |   |
| Effect of foreign exchange rate changes                              |       |                                    |   |
| <b>Cash and cash equivalents at the end of the year</b>              | 30    | <hr/> <hr/>                        | <hr/> <hr/>                                       |

Additional sources: AASB 101:10(d), 10(ea), 51(b), 51(c), 113

\* The comparative information has been restated as a result of *[the change in accounting policy/prior period error]* discussed in note 2.

# Notes to the financial statements

## Source

### 1. General information

#### Information about the entity

AASB 101:138(a),(d) SPFS Holdings Unit Trust (the Entity) is a trust formed in Australia. SPFS Pty Limited is the trustee of the Entity. *[Provide details of the life of the entity if it has a limited life.]*

AASB 101:138(c) The parent entity of SPFS Holdings Unit Trust is Parent Holdings (Australia) Limited. Its ultimate parent entity is Ultimate Parent Limited. The addresses of its registered office and principal place of business are as follows:

| AASB 101:138(a) | <b>Registered office</b> | <b>Principal place of business</b> |
|-----------------|--------------------------|------------------------------------|
|                 | 10 <sup>th</sup> Floor   | 1 <sup>st</sup> Floor              |
|                 | ALD Centre               | 167 Admin Ave                      |
|                 | 255 Deloitte Street      | SYDNEY NSW 2000                    |
|                 | SYDNEY NSW 2000          | Tel: (02) 9332 5000                |
|                 | Tel: (03) 9332 7000      |                                    |

AASB 1054:8(b) For the purposes of preparing the financial statements, the Entity is a for-profit entity.

AASB 101:138(b) The entity's operations and principal activities are *[describe]*.

AASB 101:138 The following information only needs be disclosed in the financial statements where the information is not disclosed elsewhere in information published with the financial statements:

- 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)
- A description of the nature of the entity's operations and its principal activities
- The name of the parent and the ultimate parent of the group
- If the entity is a limited life entity, information regarding the length of its life.

The following sentence is suggested in the year of formation:

'The Entity was *[formed/incorporated/describe]* on *[date]* and accordingly only current year figures covering the period from incorporation are shown.'

#### Financial reporting framework

##### Compliance with International Financial Reporting Standards (IFRS)

AASB 101:16 An entity that is not a reporting entity and which prepares special purpose financial statements is not required to comply with the presentation and disclosure requirements of all Accounting Standards and Interpretations, as is required by an entity that applies Tier 1 reporting requirements under AASB 1053 *Application of Tiers of Australian Accounting Standards*. For-profit entities complying with Tier 1 reporting requirements are required to comply with all Australian Accounting Standards make a statement of compliance with IFRS.

Even though special purpose financial statements may be prepared on the basis of the recognition and measurement requirements of all Australian Accounting Standards, they cannot be described as complying with IFRS unless they comply with all of the presentation and disclosure requirements of IFRS.

## Source

**1. General information (continued)****Financial reporting framework (continued)**

AASB 1054:9  
APES 205:6.1

The Entity is not a reporting entity because in the opinion of *[those charged with governance, e.g. the directors of the Trustee]* 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 *[state the reporting mandate, e.g. the requirements of the Trust's constitution]*.

AASB 1054:8(a)  
APES 205:6.1

The financial statements have been prepared in accordance with *[state the reporting mandate, e.g. the requirements of the Trust's constitution]*, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of the following Australian Accounting Standards:

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

Or

AASB 1054:7, 8  
APES 205:6.1

The financial statements have been prepared in accordance with *[state the reporting mandate, e.g. the requirements of the Trust's constitution]*, 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:

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

**Presentation of consolidated financial statements**

APES 205:6.1

Where the entity 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 applied.

APES 205:6.1

The financial statements are presented as separate financial statements of the Entity. The Entity has not applied AASB 10 *Consolidated Financial Statements* in these financial statements and accordingly, has not consolidated its investments in subsidiaries. The entity's accounting policy for investments in subsidiaries is explained in Note 3.

## Source

**1. General information (continued)****Financial reporting framework (continued)****Information about special purpose financial statements of not-for-profit private sector entities**

AASB 1054:9A

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

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

For not-for-profit entities preparing special purpose financial statements, below is wording that can be considered in the case when a not-for-profit entity has applied accounting policies that comply with all the recognition and measurement requirements in Australian Accounting Standards, consolidated all its subsidiaries consistent with the requirements set out in AASB 10 and equity accounted for its investments in associates and joint ventures in a manner consistent with the requirements set out in AASB 128.

AASB 1054:9A(a)

AASB 1054:8(b)

***Basis of preparation of the special purpose financial statements***

The Entity is a not-for-profit entity. The *[those charged with governance, e.g. the directors]* are of the opinion that it is unlikely there are users of these financial statements who are not in a position to require the preparation of reports tailored to their information needs and have prepared special purpose financial statements. Accordingly, these financial statements have been prepared to satisfy the reporting requirements of *[those charged with governance, e.g. the directors]* under the *[Australian Charities and Not-for-profits Commission Act 2012 / insert further details of the not-for-profit reporting framework under which the financial statements are prepared]*.

AASB 1054:9A(b)

***Application of the consolidation and equity accounting requirements***

The Entity has consolidated all its subsidiaries consistent with the requirements set out in AASB 10 *Consolidated Financial Statements* and equity accounted for its investments in associates and joint ventures in a manner consistent with the requirements set out in AASB 128 *Investments in Associates and Joint Ventures*.

AASB 1054:9A(d)

***Compliance with the recognition and measurement requirements in Australia Accounting Standards***

These consolidated special purpose financial statements comply with all the recognition and measurement requirements in Australian Accounting Standards."

## Source

ED 302

## 1. General information (continued)

### Financial reporting framework (continued)

#### Proposals for additional disclosures in special purpose financial statements of for-profit private sector entities

In June 2020, the AASB issued ED 302 *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities* (available at [www.aasb.gov.au](http://www.aasb.gov.au)).

The proposals in ED 302 were proposed to apply to:

- For-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards – the ability of these entities to prepare special purpose financial statements is temporary as these entities will be required to prepare general purpose financial statements for annual periods beginning on or after 1 July 2021 in accordance with AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*
- Other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards – the ability of these entities to prepare special purpose financial statements is limited to circumstances where the constituting or other document requiring compliance with Australian Accounting Standards was created or last amended before 1 July 2021.

ED 302 proposes to add the following disclosures to AASB 1054 *Australian Specific Disclosures*, which would require the above entities that preparing special purpose financial statements to:

- Disclose the basis on which the decision to prepare special purpose financial statements was made
- Disclose information about the material accounting policies applied in the special purpose financial statements, including information about changes in those policies
- Where the entity has interests in other entities – disclose whether or not its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in a manner consistent with the requirements set out in AASB 10 *Consolidated Financial Statements* or AASB 128 *Investments in Associates and Joint Ventures*, as appropriate. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those requirements, it would be required to disclose that fact, and the reasons why
- For each material accounting policy applied and disclosed in the financial statements that does not comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128), disclose an indication of how it does not comply
- Disclose whether or not the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128).

The proposals in ED 302 were open for comment until 11 September 2020 and were originally intended to apply to annual reporting periods ending on or after 30 June 2021.

## Source

**1. General information (continued)****Financial reporting framework (continued)****Proposals for additional disclosures in special purpose financial statements of for-profit private sector entities (continued)**

At its [November 2020 meeting](#), the AASB decided it will proceed with the proposals in ED 302.

In finalising its views, the Board decided to:

- Delay the effective date of the final amendments to apply to reporting periods beginning on or after 1 July 2021, with early adoption permitted
- In doing so, exclude entities within the scope of AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*. Entities within the scope of AASB 2020-2 are for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards, and other for-profit private sector entities that are required only by their constituting document or another document to comply with Australian Accounting Standards (provided that document was created or last amended on or after 1 July 2021)
- Require entities to comply with the disclosure requirements in paragraphs 8 and 9 of AASB 1054 *Australian Additional Disclosures* (i.e. disclosure of an entity's reporting framework and whether the statements are general purpose financial statements or special purpose financial statements).

An amending Standard was expected to be issued in December 2020 but has not been issued as at 19 November 2021.

*Note: the above disclosures have not been illustrated in these model special purpose financial statements as they have not been finalised. Once finalised, these disclosures should be included in the special purpose financial statements of entities to which the amendments are applicable. In the meantime, entities preparing special purpose financial statements may wish to voluntarily include similar disclosures.*

## Source

**1. General information (continued)****Basis of preparation**

AASB 101:17(b), 112(a), 117(a)

The financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies in note 3. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

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 Entity 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 *Share-based Payment*, leasing transactions that are within the scope of AASB 16 *Leases*, 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*.

**Presentation currency and rounding**

AASB 101:51(d)

The financial statements of the Entity 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 Entity are expressed in Australian dollars ('\$'), which is the functional currency of the Entity and the presentation currency used in the financial statements.

AASB 101:51(e)

Amounts in these financial statements have been rounded to the nearest *[dollar/thousand dollars/hundred thousand dollars/million dollars]*.

AASB 101:53

An entity often makes financial statements more understandable by presenting information in thousands or millions of units of presentation currency. This is acceptable as long as the entity discloses the level of rounding and does not omit material information.

When determining the level of rounding to apply in the special purpose financial statements, the entity should consider whether the reporting mandate requiring the preparation of the financial statements stipulates any rounding requirements.

## Source

## 2. Adoption of new and revised Australian Accounting Standards

### Change in accounting policy

AASB 108:28

#### Changes in accounting policies on initial application of Accounting Standards

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

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

\* AASB 133 would generally not be applied in the presentation of special purpose financial statements

Financial reports of subsequent periods need not repeat these disclosures.

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

AASB 108:29

#### Voluntary changes in accounting policies

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 discloses:

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

\* AASB 133 would generally not be applied in the presentation of special purpose financial statements

AASB 108:20

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



Source

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

### Change in accounting policy (continued)

#### Early adoption of Accounting Standards

When applying an Accounting Standard before its mandatory application date, the requirements of the Accounting Standard and the entity's reporting mandate should be considered. For instance, some Accounting Standards may require particular transition provisions to be applied, or the reporting mandate may require the financial statements to apply certain pronouncements early. In addition, many Accounting Standards require disclosure when they have been applied before their mandatory application date.

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

*'[Those charged with governance, e.g. the directors of the Trustee] have elected to apply Australian Accounting Standard AASB 1XX [title] for this financial year, even though the Standard is not required to be applied until annual reporting periods beginning on or after [date].*

AASB 108:14-15  
AASB 108:28(a)-(e)

*[Describe the nature of the change in accounting policy, the title of the Australian Accounting Standard being applied for the first time (when applicable), describe the transitional provisions (when applicable) and describe the transitional provisions that might have an effect on future periods (when applicable)].*

AASB 108:28(f)

The following table summarises the impact of the change in policy on the financial statements of the Entity<sup>5</sup>.

AASB 108:28(f)(i)

|   | <b>31/12/20X2</b> | <b>31/12/20X1</b> |
|---|-------------------|-------------------|
|   | <b>\$'000</b>     | <b>\$'000</b>     |
| <b>Consolidated statement of profit or loss and other comprehensive income</b>              |                   |                   |
| <i>[Describe captions affected]</i>   |                   |                   |
| Increase/(decrease) in profit for the financial year  |                   |                   |
| <b>Other comprehensive income for the period, net of income tax</b>                         |                   |                   |
| <i>[Describe captions affected]</i>   |                   |                   |
| Increase/(decrease) in other comprehensive income for the financial year, net of income tax |                   |                   |
| <b>Total increase/(decrease) in comprehensive income for the financial year</b>             |                   |                   |

AASB 108:28(f)(i)

|   | <b>31/12/20X2</b> | <b>31/12/20X1</b> |
|---|-------------------|-------------------|
|   | <b>\$'000</b>     | <b>\$'000</b>     |
| <b>Consolidated statement of financial position</b> |                   |                   |
| <i>[Describe captions affected]</i>                 |                   |                   |
| Increase/(decrease) in net assets                   |                   |                   |

<sup>5</sup> The disclosures are based on profit or loss and other comprehensive income presented as a single statement.

Source

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

### Change in accounting policy (continued)

AASB 108:28(g)

*[Describe the amount of the adjustment relating to periods before those presented (to the extent practicable)]*

AASB 108:28(h)

*[If retrospective application is impracticable for a particular prior period, or for periods before those presented, describe the circumstances that led to the existence of that condition and describe how and from when the change in accounting policy has been applied].*

AASB 108:28(f)(ii)

The impact of the change in policy on both basic and diluted earnings per unit is presented in the following table.\*

|   | <b>Impact on profit<br/>for the year from<br/>continuing<br/>operations</b> |                   | <b>Impact on basic<br/>earnings per unit*</b> |                   | <b>Impact on diluted<br/>earnings per unit*</b> |                   |
|---|---|-------------------|---|-------------------|---|-------------------|
|   | <b>31/12/20X2</b>   | <b>31/12/20X1</b> | <b>31/12/20X2</b>                             | <b>31/12/20X1</b> | <b>31/12/20X2</b>                               | <b>31/12/20X1</b> |
|   | <b>\$'000</b>   | <b>\$'000</b>     | <b>\$'000</b>                                 | <b>\$'000</b>     | <b>\$'000</b>                                   | <b>\$'000</b>     |
| Changes in accounting policies relating to:<br><i>[Specify relevant changes in accounting policy]</i> |   |                   |   |                   |   |                   |
|   |   |                   |   |                   |   |                   |

\* AASB 133 would generally not be applied in the presentation of special purpose financial statements and accordingly, this information will ordinarily not be disclosed

Source

AASB 108:41, 45

AASB 108:49(a)

AASB 108:49(b)(i)

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

### Prior period errors

*[Describe the nature of the prior period error.]*

The following table summarises the impact of the prior period error on the financial statements of the Entity<sup>6</sup>.

|   |                   |
|---|-------------------|
|   | <b>31/12/20X1</b> |
|   | <b>\$'000</b>     |
| <b>Consolidated statement of profit or loss and other comprehensive income</b>              |                   |
| <i>[Describe captions affected]</i>   |                   |
| Increase/(decrease) in profit for the financial year  |                   |
| <b>Other comprehensive income for the period, net of income tax</b>                         |                   |
| <i>[Describe captions affected]</i>   |                   |
| Increase/(decrease) in other comprehensive income for the financial year, net of income tax |                   |
| <b>Total increase/(decrease) in comprehensive income for the financial year</b>             |                   |
|   | <b>31/12/20X1</b> |
|   | <b>\$'000</b>     |
| <b>Consolidated statement of financial position</b>   |                   |
| <i>[Describe captions affected]</i>   |                   |
| Increase/(decrease) in net assets   |                   |

AASB 108:49(b)(ii)

The impact of the prior period error on both basic and diluted earnings per unit is presented in the following table.\*

|  | <b>Impact on profit for the year from continuing operations</b> |                   | <b>Impact on basic earnings per unit*</b> |                   | <b>Impact on diluted earnings per unit*</b> |                   |
|--|---|-------------------|---|-------------------|---|-------------------|
|  | <b>31/12/20X2</b>   | <b>31/12/20X1</b> | <b>31/12/20X2</b>                         | <b>31/12/20X1</b> | <b>31/12/20X2</b>                           | <b>31/12/20X1</b> |
|  | <b>\$'000</b>   | <b>\$'000</b>     | <b>\$'000</b>                             | <b>\$'000</b>     | <b>\$'000</b>                               | <b>\$'000</b>     |
| Changes in accounting policies relating to:  |   |                   |   |                   |   |                   |
| <i>[Specify relevant prior period error]</i> |   |                   |   |                   |   |                   |
|  |   |                   |   |                   |   |                   |

\* AASB 133 would generally not be applied in the presentation of special purpose financial statements and accordingly, this information will ordinarily not be disclosed.

AASB 108:49(d)

If retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

<sup>6</sup> The disclosures are based on profit or loss and other comprehensive income presented as a single statement.

## Source

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

AASB 108:28(a)-(d)

### New and amended Accounting Standards that are effective for the current year

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

- *[List all pronouncements that are newly effective for the current year, and provide an explanation of the impacts of those financial statements in accordance with the requirements of AASB 108:28-29]*

#### Illustrative examples for particular reporting periods

As these model financial statements are not prepared as being effective for a particular financial reporting periods, illustrative examples of the newly applicable pronouncements are not provided. Entities should refer to the equivalent note included in the relevant edition of the Deloitte *Tier 1 models and reporting considerations* publications, which are prepared for particular financial reporting periods. These model financial statements are available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

### New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

AASB 108:30, 31

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

- *[List all pronouncements on issue that have not been applied in preparing the financial report, and provide an explanation of the impacts of those financial statements in accordance with the requirements of AASB 108:30-31 as outlined below]*

#### Illustrative examples for particular reporting periods

As these model financial statements are not prepared as being effective for a particular financial reporting periods, illustrative examples of Standards and Interpretations in issue not yet effective are not provided. Entities should refer to the equivalent note included in the relevant edition of our Deloitte *Tier 1 models and reporting considerations* publications, which are prepared for particular financial reporting periods. These model financial statements are available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

#### Disclosure requirements of AASB 108

AASB 108:30

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

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

AASB 108:31

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

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

## Source

### 3. Significant accounting policies

#### General requirements

AASB 101:117

AASB 101 *Presentation of Financial Statements* requires an entity to disclose its significant accounting policies comprising:

- The measurement basis (or bases) used in preparing the financial statements
- The other accounting policies used that are relevant to an understanding of the financial statements.

AASB 101:119

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

For example, an entity may elect:

(AASB 127:10)

- 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 described in AASB 128 *Investments in Associates and Joint Ventures*

(AASB 9:3.1.2)

- To recognise a regular way purchase or sale of financial assets using settlement date accounting or trade date accounting

(AASB 9:5.7.5)

- To elect to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration in a business combination

(AASB 112:78)

- To present exchange differences on deferred foreign tax liabilities or assets recognised in the statement of profit or loss and other comprehensive income as deferred tax expense (income)

(AASB 116:29)

- To measure property, plant and equipment under either the cost model or the revaluation model

(AASB 138:74, 75)

- To measure intangible assets after initial recognition on either the cost or revaluation (fair value) basis, where conditions for doing so are met

(AASB 140:30)

- To measure investment property under either the cost model or the fair value model

(AASB 120:23)

- To account for government grants in the form of a non-monetary asset at a nominal amount

(AASB 120:24)

- To present government grants related to assets as a deduction from the carrying amount of the asset

(AASB 120:29)

- To deduct government grants received and recognised in the statement of profit or loss and other comprehensive income in reporting by the related expense, or

(AASB 107:18)

- To prepare the statement of cash flows using either the direct or the indirect method.

Entities may also need to disclose the manner in which they account for:

(AASB 3)

- Business combinations involving entities under common control

(AASB 141)

- Biological assets or agricultural produce

(AASB 6)

- Exploration and evaluation activities.

AASB 101:121

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. 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*.

## Source

### 3. Significant accounting policies (continued)

#### Developing accounting policy disclosures based on these illustrative examples

##### Background

The accounting policies in this illustrative note have been derived from our Deloitte *Tier 1 models and reporting considerations* publication for the annual reporting periods ending on or after 31 December 2021. The policies in those financial statements have been adjusted to reflect the specific circumstances of these model special purpose financial statements, particularly those applying to separate financial statements of an entity that is a subsidiary of another entity in a group and has subsidiaries of its own.

Entities should not adopt the illustrative accounting policies without adapting them to suit the entity's specific circumstances. Considerations include:

- Excluding accounting policies related to transactions, events and balances that are not relevant to the entity. For example, if the entity does not have investment property, no accounting policy should be disclosed in respect of investment property
- Focusing on accounting policies that are quantitatively or qualitatively significant and not including accounting policies in respect of items that are not material in the context of the financial statements
- Tailoring the accounting policies to be specific the entity's circumstances.

##### Amendments to AASB 101 in relation to accounting policy information

In March 2021, the AASB issued *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*. This Standard amends (among others) AASB 101 *Presentation of Financial Statements* to require an entity to disclose material accounting policy information, rather than significant accounting policies comprising measurement bases used and other accounting policies that are relevant to understanding the financial statements.

##### AASB 101:117

Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

##### AASB 101:117B

Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:

- The entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements
- The entity chose the accounting policy from one or more options permitted by Australian Accounting Standards – such a situation could arise if the entity chose to measure investment property at historical cost rather than fair value
- The accounting policy was developed in accordance with AASB 108 in the absence of an Australian Accounting Standard that specifically applies
- The accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs 122 and 125 of AASB 101
- The accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions—such a situation could arise if an entity applies more than one Australian Accounting Standard to a class of material transactions.

The new requirements apply to annual reporting periods beginning on or after 1 January 2023. Entities may wish to early adopt the amendments in order to disclose more succinct and meaningful accounting policy information in their financial statements.

Source

### 3. Significant accounting policies (continued)

#### Reporting period considerations

As these model financial statements are not updated in respect of each reporting period, the illustrative disclosures may not be appropriate for a particular reporting period due to changes in Accounting Standards or other pronouncements, legislation or other requirements.

Entities may wish to refer to other editions of our model financial statements for particular periods to supplement the illustrative examples included in this note. These model financial statements can be found at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

#### Going concern basis

AASB 101:25

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

AASB 101:25

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

AASB 101:17(b), 112(a), 117(b)

The principal accounting policies are set out below.

#### Going concern

AASB 101:25

*[Those charged with governance, e.g. the directors of the Trustee]* have, at the time of approving the financial statements, a reasonable expectation that the Entity has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## Source

### 3. Significant accounting policies (continued)

#### Business combinations

The example accounting policy below illustrates example wording appropriate in separate financial statements where the direct acquisition of businesses has occurred (rather than the acquisition of an investment in a subsidiary). Where consolidated financial statements are prepared, the wording may need to be adapted. In this case, readers may wish to refer to the Deloitte *Tier 1 models and reporting considerations* publication for illustrative wording. The *Tier 1 models and reporting considerations* publication is available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

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 interests issued by the Entity 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 at the acquisition date, 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 Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 *Share-based Payment* at the acquisition date
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

When consideration transferred by the Entity in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in 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 the 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. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value 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 Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.



## Source

### 3. Significant accounting policies (continued)

#### Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Entity's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination

Cash-generating units to which goodwill has been allocated are 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 the carrying amount of the unit, 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 on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

The Entity's policy for goodwill arising on the acquisition of an associate is described below.

#### Investments in subsidiaries, associates and joint ventures

When the special purpose financial statements are being prepared as separate financial statements in accordance with the recognition and measurement requirements of AASB 127 *Separate Financial Statements*, the entity can choose to account for its investments in subsidiaries, joint ventures and associates either:

- At cost
- In accordance with AASB 9 *Financial Instruments*, or
- Using the equity methods as described in AASB 128 *Investments in Associates and Joint Ventures*.

The illustrative example below assumes that the entity is accounting for its investments in subsidiaries at cost and its investments in associates and joint ventures are accounted for in accordance with AASB 128 *Investments in Associates and Joint Ventures*. Where the entity's accounting policy for accounting for these investments differs, the illustrative wording should be adapted to reflect the policy adopted.

#### Investments in subsidiaries

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Entity accounts for its investments in subsidiaries at cost. The requirements of AASB 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Entity's investment in a subsidiary. When necessary, the carrying amount of the investment is tested for impairment in accordance with AASB 136 by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised in profit or loss. 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.

## Source

### 3. Significant accounting policies (continued)

#### Investments in subsidiaries, associates and joint ventures (continued)

##### Investments in subsidiaries (continued)

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 Entity and the amount of income can be measured reliably). Dividends are included in the 'investment income' line item in profit or loss.

##### Investments in associates and joint ventures

An associate is an entity over which the Entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, is classified as held for sale, in which case it is accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the statement of financial position at cost and adjusted thereafter to recognise the Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), the Entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Entity 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 Entity'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 Entity'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 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Entity'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 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 is not allocated to any asset, including goodwill that 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 Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 9.

## Source

### 3. Significant accounting policies (continued)

#### Investments in subsidiaries, associates and joint ventures (continued)

##### Investments in associates and joint ventures (continued)

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 Entity 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 Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

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

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

The Entity applies AASB 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying AASB 9 to long-term interests, the Entity does not take into account adjustments to their carrying amount required by AASB 128 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with AASB 128).

#### 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 Entity as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

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

## Source

### 3. Significant accounting policies (continued)

#### Interests in joint operations (continued)

When the Entity transacts with a joint operation in which the Entity is a joint operator (such as a sale or contribution of assets), the Entity 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 Entity's financial statements only to the extent of other parties' interests in the joint operation.

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

#### Non-current assets held for sale

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

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. 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 Entity is committed to a sale plan involving disposal of an investment in an associate or a portion of an investment, in an associate, the investment or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Entity then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

#### Revenue recognition

The Entity recognises revenue from the following major sources:

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Sale of leisure goods

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

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

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

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

#### Sale of electronic equipment

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Revenue recognition (continued)

##### 'Maxi-Points' customer loyalty programme

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

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

##### Maintenance relating to electronic equipment

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

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

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

##### Installation of software services

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

## Source

### 3. Significant accounting policies (continued)

#### Revenue recognition (continued)

##### Construction of residential properties

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

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

## Source

### 3. Significant accounting policies (continued)

#### Revenue recognition (continued)

##### Not-for-profit illustrative accounting policies for revenue recognition

The illustrative accounting policies below can be used to develop specific accounting policies for revenue of not-for-profit entities.

##### Government grants, donations and bequests

When the entity receives government grants, donations and bequests that are in the scope of AASB 1058 *Income of Not-for-Profit Entities* (being a transaction where the consideration paid to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives), it performs an assessment to determine if the contract is 'enforceable' and contains 'sufficiently specific' performance obligations.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 *Revenue from Contracts with Customers* where income is recognised when (or as) the performance obligations are satisfied.

In all other cases (where the contract is not 'enforceable' or the performance obligations are not 'sufficiently specific'), the transaction is accounted for under AASB 1058 where the entity:

- Recognises the asset in accordance with the requirements of other relevant applicable Australian Accounting Standards (e.g. AASB 9 *Financial Instruments*, AASB 16 *Leases*, AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*)
- Considers whether any other financial statement elements should be recognised ('related amounts') in accordance with the relevant applicable Australian Accounting Standard including:
  - Contributions by owners (AASB 1004 *Contributions*)
  - A lease liability (AASB 16)
  - Revenue, or a contract liability arising from a contract with a customer (AASB 15)
  - A financial instrument (AASB 9)
  - A provision (AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*)
- Recognises income immediately in profit or loss for the excess of the initial carrying amount of the asset over any related amounts recognised.

##### Capital grants - buildings

For capital grants received under an enforceable agreement where it includes a transfer to enable the entity to acquire or construct a recognisable non-financial asset to identified specifications which will be controlled by the entity when completed, the entity recognises a liability for the excess of the fair value of the transfer over any related amounts recognised and recognises income as it satisfies its obligations under the transfer.

As the capital grants received by the entity are primarily for the construction of buildings, the Entity recognises income as the buildings are constructed (when it satisfies its obligations).



Source

### 3. Significant accounting policies (continued)

#### Unrecognised revenue

##### Volunteer services

The entity regularly receives volunteer services as part of its operations. Under AASB 1058, private sector not-for-profit entities have a policy option to account for donated services at fair value if the fair value can be reliably measured.

While the entity has assessed that the fair value of its volunteer services can be reliably measured, it has decided to adopt the policy option not to recognise volunteer services. Accordingly, no amounts are recognised in the financial statements for volunteer services.

##### Donated inventories

As part of its operations, the entity receives donations of goods which may then be used in its activities. AASB 102 *Inventories* requires the donated inventories to be measured at current replacement cost and any related amounts to be accounted for under AASB 1058.

The entity has decided to make use of the practical expedient under AASB 102 and apply the materiality assessment at the individual item level (instead of the portfolio level) when recognising donated inventories. Based on an assessment, the entity has noted that it only receives individually immaterial donations of inventory and accordingly will not be required to recognise such donated inventories. Accordingly, no amounts are recognised in the financial statements for donated inventories.

## Source

AASB 16:15  
AASB 16:60

### 3. Significant accounting policies (continued)

#### Leases

##### The Entity as lessee

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

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

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the Entity is different to that of the Group to which it belongs and the lease does not benefit from a guarantee from the Group.

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

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

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

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

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Leases (continued)

##### The Entity as lessee (continued)

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

Whenever the Entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

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

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

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

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

##### The Entity as lessor

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

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Leases (continued)

##### The Entity as lessor (continued)

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Entity'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 Entity's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Entity regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

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

#### Foreign currencies

The example accounting policy below illustrates example wording appropriate in separate financial statements where foreign currency transactions have occurred and a foreign operation (branch) exists. Where consolidated financial statements are prepared, the wording may need to be adapted. In this case, readers may wish to refer to the *Tier 1 models and reporting considerations* publication for illustrative wording. The *Tier 1 models and reporting considerations* publication is available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

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 each reporting date, monetary assets and liabilities that are 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 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 below under financial instruments/hedge accounting)
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (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 disposal of partial disposal of the net investment.

**Source****3. Significant accounting policies (continued)****Foreign currencies (continued)**

For the purpose of presenting these financial statements, the assets and liabilities of the Entity'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 a foreign exchange translations reserve.

On the disposal of a foreign operation (i.e. a disposal of the Entity'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 a foreign exchange translation reserve in respect of that operation attributable to the Entity are reclassified to profit or loss.

For partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Entity 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 arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

**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.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

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.

## Source

### 3. Significant accounting policies (continued)

#### Government grants

Government grants are not recognised until there is reasonable assurance that the Entity 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 Entity recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Entity should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income 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 Entity 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.

Governments may be providing support to entities through programmes that do not result in recognition of income in the financial statements of the participating entities. For example, certain governments are offering short-term debt facilities, sometimes in the form of commercial paper, to support liquidity of entities that were financially sound before the COVID-19 pandemic. To the extent that the interest rate paid by the borrower and other terms of the debt instruments reflect market conditions, the borrowing does not include a government grant that requires recognition in the financial statements. Nevertheless, such support is considered government assistance under AASB 120.

Entities will need to consider if the significance of the benefit received is such that disclosure of the nature, extent and duration of the assistance is necessary in order to avoid the financial statements from being misleading.

#### Employee benefits

##### Retirement and termination benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Entity's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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), are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Entity recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

## Source

### 3. Significant accounting policies (continued)

#### Employee benefits (continued)

##### Retirement benefits costs (continued)

Defined benefit costs are split into three categories:

- Service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements
- Net interest expense or income
- Remeasurements.

The Entity recognises service costs within profit or loss as cost of sales and administrative expenses.

Net interest expense or income is recognised within finance costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Entity'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.

If applicable include alternative explanation about rights to refunds, for example:

"The Trust Deed provides the Entity with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the plan. Based on these rights, any net surplus in the plan is recognised in full."

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.

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 treatment 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]*.

#### Short-term and long-term employee benefits

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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 Entity in respect of services provided by employees up to reporting date.

## Source

### 3. Significant accounting policies (continued)

#### Taxation

The taxation circumstances of each entity can vary. The wording below illustrates the accounting policy disclosure for an entity subject to the Attribution Managed Investment Trusts (AMIT) rules for Australian income tax purposes. This wording should be amended accordingly to reflect the respective taxation circumstances of each entity. In the event entity is directly liable for taxation, the wording included in commentary below can be used as a guide for determining an appropriate wording of this accounting policy.

The Entity is subject to the Attribution Managed Investment Trusts (AMIT) rules for Australian income tax purposes, such that the determined trust components of the Entity are taxable in the hands of the beneficiaries (the unitholders) on an attribution basis.

Accordingly, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains/losses which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements.

Realised capital losses are not attributed to unitholders but instead are retained within the Entity to be offset against realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income attributed to unitholders as noted above.

#### **Taxation (where the entity is subject to income tax)**

For the convenience of entities subject to income tax that are preparing special purpose financial statements, these model financial statements include illustrative accounting policies (below) and also include disclosures of the income tax effects of various transactions and balances throughout. These illustrative disclosures should be excluded where the entity is not subject to income tax.

#### **Income tax expense**

The income tax expense represents the sum of the tax currently payable and deferred tax.

#### **Tax consolidation**

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

Int 1052.16

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



## Source

### 3. Significant accounting policies (continued)

#### Taxation (*where the entity is subject to income tax*)

##### Tax consolidation (continued)

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

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

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity's liability for 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 Entity or that have a different tax consequence at the level of the entity.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Entity supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

##### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the liability method.

Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Entity or that have a different tax consequence at the level of the entity.

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

## Source

### 3. Significant accounting policies (continued)

#### Taxation (*where the entity is subject to income tax*) (continued)

##### Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Entity 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 each reporting period date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 [*those charged with governance, e.g. the directors of the Trustee*] of the Entity reviewed the Entity's investment property portfolios and concluded that none of the Entity'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. As a result, the Entity has not recognised any deferred taxes on changes in fair value of the investment properties as the Entity is not subject to any income taxes on the fair value changes of the investment properties on disposal.

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

##### Current tax 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

### 3. Significant accounting policies (continued)

#### Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, for rental to others (excluding investment properties) 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 accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

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

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.

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 Entity's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

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.

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

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. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## Source

### 3. Significant accounting policies (continued)

#### Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes) is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property 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.

An entity that elects to use the cost model for investment property (not illustrated in these model financial statements) should disclose an appropriate policy and make reference, if relevant, to the use of the elections to use fair value or previous revaluations as deemed cost on transition.

#### Intangible assets

##### Intangible assets acquired separately

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

##### Internally-generated intangible assets - research and development expenditure

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

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

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Intangible assets (continued)

##### Intangible assets acquired in a business combination

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

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

##### Derecognition of intangible assets

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

##### Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

#### Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Entity reviews the carrying amounts of its property, plant and equipment 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Entity 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 an indefinite useful life are tested for impairment at least annually, and whenever there is an indication at the end of a reporting period that the asset may be impaired.

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

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

## Source

### 3. Significant accounting policies (continued)

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

Where 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, to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Entity's statement of financial position when the Entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

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

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

#### *Classification of financial assets*

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

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Financial assets (continued)

##### *Classification of financial assets (continued)*

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

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

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

##### ***Amortised cost and effective interest method***

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

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Financial assets (continued)

##### *Classification of financial assets (continued)*

##### ***Amortised cost and effective interest method (continued)***

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

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

##### ***Debt instruments classified as FVTOCI***

The corporate bonds held by the Entity are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see above) are recognised in profit or loss.

The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

##### ***Equity instruments designated as at FVTOCI***

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

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

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

The Entity designation all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

A financial asset is held for trading if:

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



## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Financial assets (continued)

##### *Classification of financial assets (continued)*

##### **Financial assets at FVTPL**

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

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

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

##### **Foreign exchange gains and losses**

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

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. The residual foreign currency element based on the translation of the carrying amount (at fair value) is recognised in other comprehensive income in the investments revaluation reserve
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item as part of the fair value gain or loss
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

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

## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Financial assets (continued)

###### *Impairment of financial assets*

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

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

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

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

###### ***Significant increase in credit risk***

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity's core operations.

## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Financial assets (continued)

##### *Impairment of financial assets (continued)*

##### **Significant increase in credit risk (continued)**

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

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

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

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

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

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Financial assets (continued)

##### *Impairment of financial assets*

##### **Definition of default**

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

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

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

##### **Credit-impaired financial assets**

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

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

##### **Write-off policy**

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

##### **Measurement and recognition of expected credit losses**

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

## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Financial assets (continued)

##### *Impairment of financial assets (continued)*

##### **Measurement and recognition of expected credit losses (continued)**

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with AASB 16 *Leases*.

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

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

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Financial liabilities and equity

###### *Classification as debt or equity*

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

###### *Equity instruments*

The wording below should be amended when developing the accounting policy disclosure for entities that are not companies, those without traditional forms of equity, or for entities that issue instruments that are classified as equity instruments in certain circumstances (i.e. puttable instruments or instrument that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, see AASB 132:16A-16E).

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

A repurchase of the Entity'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 Entity's own equity instruments.

###### *Compound instruments*

The component parts of convertible loan notes issued by the Entity 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 Entity's own equity instruments is an equity instrument.

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

#### Financial liabilities and equity (continued)

##### *Financial liabilities*

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

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

##### *Financial liabilities at FVTPL*

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 6) in profit or loss.

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

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

## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Financial liabilities and equity (continued)

###### *Financial liabilities measured subsequently at amortised cost*

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

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

###### *Financial guarantee contract liabilities*

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

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

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

###### *Foreign exchange gains and losses*

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

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



## Source

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Financial liabilities and equity (continued)

###### *Derecognition of financial liabilities*

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

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

#### Derivative financial instruments

The Entity 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, options and interest rate swaps.

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

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

#### Embedded derivatives

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Derivative financial instruments (continued)

##### Embedded derivatives (continued)

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

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

##### Hedge accounting

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

At the inception of the hedge relationship, the 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 Entity documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Derivative financial instruments (continued)

##### Fair value hedges

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

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

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

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

##### Cash flow hedges

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Derivative financial instruments (continued)

##### Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the 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 accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

##### Provisions

Provisions are recognised when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle that 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 reporting date, 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 (when 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.

##### Restructurings

A restructuring provision is recognised when the Entity 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.

##### 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 best estimate of *[those charged with governance, e.g. the directors of the Trustee]* of the expenditure required to settle the Entity's obligation.

##### Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Entity 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.

## Source

### 3. Significant accounting policies (continued)

#### Provisions (continued)

##### Restoration provision

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the best estimate of *[those charged with governance, e.g. the directors of the Trustee]* of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

##### Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. 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 recognised initially less cumulative amortisation of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts from Customers*

#### Share-based payment

##### Share-based payment transactions of the Entity

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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Fair value is measured by use of a *[describe, e.g. binomial model]*. The expected life used in the model used to determine fair value for each grant of equity instruments is 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 Entity's estimate of equity instruments that will eventually vest. At each reporting date, the Entity revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

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.

Source

### 3. Significant accounting policies (continued)

#### Goods and services tax

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

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

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

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

#### Comparative amounts

AASB 101:41, 42

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

When comparative amounts are reclassified, an entity shall disclose:

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Supplier financing arrangements

An entity may enter into arrangements under which a 'factor' (typically, a financial institution) pays a supplier on its behalf, with the entity (i.e. the purchaser) then reimbursing the factor. Such arrangements may be referred to as, for example, 'supplier financing', 'reverse factoring' or 'structured payable arrangements'. When such arrangements are material, clear disclosure should be provided of the following:

- The approach to the presentation of significant supplier financing arrangements and, in accordance with AASB 101:122, the judgements made in applying that policy
- How supplier financing transactions have been reflected in the statement of cash flows
- The carrying amount of the liabilities in question and the line item(s) in which they are presented.

In December 2020, the IFRS Interpretations Committee finalised an [agenda decision](#) on supplier financing arrangements. Entities utilising supplier financing arrangements should consider the impact of that agenda decision on its financial statements. The IASB® also has a current project on supplier financing arrangements on its agenda, the latest updates can be found on the [IASB's website](#).

#### Factoring of receivables

When an entity enters into arrangements for factoring of receivables where they are not fully derecognised, it is important that the policy adopted for the treatment of cash flows arising is clearly explained and that any non-cash financing transactions are disclosed in accordance with AASB 107:43. In particular, an explanation of whether the cash flows received on the receivables are treated as operating inflows with associated financing outflows that are deemed to repay the financing liability that was recognised when the receivables were transferred. Balances that will give rise to financing cash flows should also be included in the disclosure of changes in such balances required by AASB 107:44A-44E

#### Example accounting policies for mining entities

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

##### Provision for restoration and rehabilitation

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

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

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

## Source

### 3. Significant accounting policies (continued)

#### Example accounting policies for mining entities (continued)

##### Exploration and evaluation

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

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

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

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

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

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

##### Development

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

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



## Source

## 4. Critical accounting judgments and key sources of estimation uncertainty

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

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

In applying the Entity's accounting policies, which are described in note 3, *[those charged with governance, e.g. the directors of the Trustee]* of the Entity are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that *[those charged with governance, e.g. the directors of the Trustee]* have made in the process of applying the Entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Judgement in determining the timing of satisfaction of performance obligations

Costs of \$\_\_\_ have been recognised during the year in respect of rectification work to be carried out on goods supplied to one of the Entity's major customers. These goods were delivered to the customer in the months of *[month]* to *[month]* 20X2, and shortly thereafter the defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the Entity until 20X4. In the light of the problems identified, management was required to consider whether it was appropriate to recognise the revenue from these transactions of \$\_\_\_ in the current year, in line with the Entity'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, *[those charged with governance, e.g. the directors of the Trustee]* considered the detailed criteria for the recognition of revenue set out in AASB 15 *Revenue from Contracts with Customers* and, in particular, whether the Entity had transferred control of the goods to the customer. Following the detailed quantification of the Entity'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, *[those charged with governance, e.g. the directors of the Trustee]* are satisfied that control has been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate provision for the rectification costs.

AASB 101:122

## Source

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

### Critical judgements in applying accounting policies (continued)

#### Revenue recognition *[not-for-profit entities]*

To determine if a grant contract should be accounted for under AASB 1058 or AASB 15, the Entity has to determine if the contract is 'enforceable' and contains 'sufficiently specific' performance obligations. When assessing if the performance obligations are 'sufficiently specific', the Entity has applied significant judgement in this regard by performing a detailed analysis of the terms and conditions contained in the grant contracts, review of accompanying documentation (e.g. activity work plans) and holding discussions with relevant parties.

Income recognition from grants received by the Entity has been appropriately accounted for under AASB 1058 or AASB 15 based on the assessment performed.

*[Expand as necessary to highlight any specific areas that were assessed, and the judgements made]*

#### Business model assessment

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

#### Significant increase in credit risk

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

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

The Entity'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

AASB 101:125, 129

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

### 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:

#### Assessment as to whether right-of-use assets are impaired

In January 2015 *[Operation A]* entered into a 10-year lease for an office building located in *[location]*. Following a subsequent restructuring programme, the Entity identified that the office space occupied by *[Operation B]*, which is also located in *[location]*, could accommodate all of the staff of *[Operation A]*, and took the decision to relocate staff to a single office. The leased property previously occupied by *[Operation A]*, has been marketed with a local estate agent and is expected to be sub-leased by the firm for the remainder of the lease term.

*[Those charged with governance, e.g. the directors of the Trustee]* have estimated that the entirety of the lease payment will be recoverable through the sub-lease of the property. This reflects the current achievable market rates for similar properties with similar lease terms and therefore no impairment has been recognised. The carrying amount of right-of-use asset in respect of the property is \$ \_\_\_\_ at 31 December 20X2 (20X1: \$ \_\_\_\_).

#### Impairment testing

Following the assessment of the recoverable amount of goodwill allocated to *[describe]*, to which goodwill of \$ \_\_\_\_ is allocated, *[those charged with governance, e.g. the directors of the Trustee]* consider the recoverable amount of goodwill allocated to *[describe]* to be most sensitive to the achievement of the 20X3 budget. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Whilst the Group is able to manage most of 'Leisure goods – retail outlets' costs, the revenue projections are inherently uncertain due to the short-term nature of the business and unstable market conditions. Revenue of the cash generating unit is most sensitive to changes in the sectors demand for sales in retail outlets, reflecting the increased use of internet sales by rivals, a service which the Entity does not currently offer.

The market for *[describe]* products has seen a significant slowdown over the past 18 months due to a decline in the customer appetite for retail sales and increases in internet sales of rivals in the sector. It is possible that further underperformance may occur in 20X3 if prevailing trends continue.

In estimating the recoverable amount of the right-of-use asset, the directors have made assumptions about the achievable market rates for similar properties with similar lease terms. Due to the associated uncertainty, it is possible that the estimates of the amount of lease payment that will be recovered through the sub-lease of the property may need to be revised during the next year. Achieving a sub-lease for only 95 per cent of the lease payment is considered reasonably possible based on recent experience in the market and would lead to an impairment charge of \$ \_\_\_\_ against the right-of-use asset in respect of the property.

## Source

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

### Key sources of estimation uncertainty (continued)

#### Provision for restoration of contaminated land

On 15 December 20X1, new legislation in *[jurisdiction]* was enacted which resulted in the requirement for the Entity to clean up historically contaminated waste sites in *[jurisdiction]* and bear the costs thereof. Consequently, a provision of \$ \_\_\_\_ has been recognised. In estimating the provision, the directors have made assumptions regarding the interpretation of the legislation and have estimated costs based on currently available information about the likely extent of contamination and potential clean-up techniques. Due to the associated uncertainty, it is possible that estimates may need to be revised during the next year as interpretations of the legislation evolve and the extent of contamination and potential approaches to clean-up are assessed in more detail. Whilst a range of outcomes is possible, *[those charged with governance, e.g. the directors of the Trustee]* believe that the reasonably possible range is an increase in provisions of up to \$ \_\_\_\_ to a reduction in provisions of up to \$ \_\_\_\_.

#### Calculation of loss allowance

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

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

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

If the ECL rates on trade receivables between 61 and 90 days past due had been \_\_\_\_ % higher (lower) as of 31 December 20X2, the loss allowance on trade receivables would have been \$ \_\_\_\_ (0019: \$ \_\_\_\_ ) higher (lower).

If the ECL rates on trade receivables between 31 and 60 days past due had been \_\_\_\_ % higher (lower) as of 31 December 20X2, the loss allowance on trade receivables would have been \$ \_\_\_\_ (0019: \$ \_\_\_\_ ) higher (lower).

#### Fair value measurements and valuation processes

Some of the Entity's assets and liabilities are measured at fair value for financial reporting purposes. *[Those charged with governance, e.g. the directors of the Trustee]* of the Entity has set up a valuation committee, which is headed up by the Chief Financial Officer of the Entity, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Entity uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Entity 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 *[those charged with governance, e.g. the directors of the Trustee]* of the Entity every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Source

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

### Key sources of estimation uncertainty (continued)

|                 |  |
|-----------------|--|
| AASB 108:36     | The effect of a change in an accounting estimate, shall be recognised prospectively by including it in profit or loss in: <ul style="list-style-type: none"> <li>• The period of the change, if the change affects that period only, or</li> <li>• The period of the change and future periods, if the change affects both.</li> </ul>   |
| AASB 108:37     | To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.  |
| AASB 108:39, 40 | An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.  |
| AASB 108:40     | If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.   |
| AASB 101:131    | When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the reporting date, the entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption. |

Source

## 5. Profit for the year from continuing operations

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

|                            | Year ended<br>31/12/20X2<br>\$'000                                    | Year ended<br>31/12/20X1<br>\$'000 |
|----------------------------|---|------------------------------------|
| Employee benefits expenses |   |                                    |
| - Post-employment benefits |   |                                    |
| - Share-based payments     |   |                                    |
| - Termination benefits     |   |                                    |
| - Other employee benefits  |   |                                    |
| AASB 101:104               |   |                                    |
| AASB 101:104               | Depreciation and amortisation   |                                    |
| AASB 101:97                | Net gains or losses:  |                                    |
| AASB 101:97                | - Loss allowance on trade receivables                                 |                                    |
| AASB 101:97                | - Loss allowance on other financial assets measured at amortised cost |                                    |
| AASB 101:97                | - Loss allowance on debt investments measured at FVTOCI               |                                    |
| AASB 101:97                | - Loss allowance on amounts due from contract assets                  |                                    |

### Exceptional rectification costs

AASB 101:97 Costs of \$ \_\_\_ have been recognised during the year in respect of rectification work to be carried out on goods supplied to one of the Entity's major customers, which have been included in *[specify category]*.

### Reversals of write-down of inventories

AASB 101:97 *[Describe circumstances of events that led to any reversal of any write-down of inventories.]*

### Disclosure of material items of income and expense

AASB 101:97 When items of income and expense are material, their nature and amount shall be disclosed separately.

### Disclosure of information about the nature of expenses

AASB 101:104 Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefit expense. An explanation of the amounts that are included in each of the cost of sales, distribution, marketing, administration and other lines on the face of the statement of profit or loss should be given as best practice of the interpretation of AASB 101:104.

Example:

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

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



**Source**

AASB 101:77

## 7. Deferred tax

Where an entity subject to the AMIT regime has a material amount of carry forward capital losses, it may be appropriate to include disclosure of the amount in the notes to the financial statements. The illustrative wording below can be adapted to suit the entity's circumstances:

As noted in Note 3, the Entity is subject to the Attribution Managed Investment Trusts (AMIT) rules for Australian income tax purposes and no deferred taxes are recognised in the financial statements. The Entity has gross carry forward capital losses of \$ \_\_\_\_ (20X1: \$ \_\_\_\_ ) which can be offset against future capital gains prior to attribution to unitholders. These capital losses are not recognised as deferred tax assets.

Where the entity is subject to income tax, the entity may wish to provide relevant information about the current and deferred taxes recognised in the financial statements, and the existence of any material unrecognised deferred tax amounts in respect of tax losses, tax credits and deductible temporary differences.

## 8. Discontinued operations

### Disposal of *[describe]* operations

AASB 101:98(e)

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

### Analysis of profit for the year from discontinued operations

AASB 101:97, 98(e)

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

|   | Year ended<br>31/12/20X2<br>\$'000 | Year ended<br>31/12/20X1<br>\$'000 |
|---|------------------------------------|------------------------------------|
| <b>Profit for the year from discontinued operations</b> |                                    |                                    |
| Revenue   | _____                              | _____                              |
| Other gains   |                                    |                                    |
| Expenses  | _____                              | _____                              |
| Profit before tax                                       | _____                              | _____                              |
| Attributable income tax expense                         | _____                              | _____                              |



Source

## 8. Discontinued operations (continued)

|  | Year ended<br>31/12/20X2<br>\$'000 | Year ended<br>31/12/20X1<br>\$'000 |
|--|------------------------------------|------------------------------------|
| Loss on remeasurement to fair value less costs to sell   |                                    |                                    |
| Gain/(loss) on disposal of operation including a cumulative exchange gain of \$ ____ reclassified from foreign currency translation reserve to profit and loss |                                    |                                    |
| Attributable income tax expense  |                                    |                                    |
| Profit for the year from discontinued operations   |                                    |                                    |

AASB 107:40

### Cash flows from discontinued operations

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

AASB 101:77

## 9. Assets classified as held for sale

|  | 31/12/20X2<br>\$'000 | 31/12/20X1<br>\$'000 |
|--|----------------------|----------------------|
| Freehold land held for sale (i)  |                      |                      |
| Assets related to <i>[describe]</i> business (ii)                          |                      |                      |
| Liabilities associated with assets held for sale (ii)                      |                      |                      |
| Amounts recognised directly in equity associated with assets held for sale |                      |                      |

### Plan to dispose of the *[describe]* business

AASB 101:98(e)

On *[date]*, *[those charged with governance, e.g. the directors of the Trustee]* announced a plan to dispose of the Entity's *[describe]* business and negotiations with several interested parties have subsequently taken place. The disposal is consistent with the Entity's long-term policy to focus its activities on the Entity's other businesses. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to substantially exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

Source

## 9. Assets classified as held for sale (continued)

### Plan to dispose of the [describe] business (continued)

AASB 101:98(e)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

|   | <u>31/12/20X2</u><br>\$'000 |
|---|-----------------------------|
| Goodwill  |                             |
| Property, plant and equipment   |                             |
| Inventories   |                             |
| Trade receivables   |                             |
| Contract assets   |                             |
| Cash and bank balances  |                             |
| Assets of [describe] business classified as held for sale                             |                             |
| Trade and other payables  |                             |
| Current tax liabilities   |                             |
| Deferred tax liabilities  |                             |
| Liabilities of [describe] business associated with assets classified as held for sale |                             |
| Net assets of [describe] business classified as held for sale                         |                             |

## 10. Trade and other receivables

AASB 101:78(a)

Trade receivables  
Loss allowance

AASB 101:78(a)

Deferred consideration

AASB 101:78(a)

Other receivables

AASB 101:78(a)

Goods and services tax recoverable

AASB 101:78(a)

Other [describe]

| <u>31/12/20X2</u><br>\$'000 | <u>31/12/20X1</u><br>\$'000 |
|-----------------------------|-----------------------------|
|                             |                             |
|                             |                             |
|                             |                             |
|                             |                             |
|                             |                             |
|                             |                             |
|                             |                             |

Source

## 11. Other financial assets

|                |   | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|----------------|---|-------------------|-------------------|
|                |   | \$'000            | \$'000            |
|                | Financial assets measured at amortised cost   |                   |                   |
| AASB 101:78(b) | - Bills of exchange   |                   |                   |
| AASB 101:78(b) | - Debentures  |                   |                   |
| AASB 101:78(b) | - Loans to related parties  |                   |                   |
| AASB 101:78(b) | - Loans to other entities   |                   |                   |
| <hr/>          |   |                   |                   |
| AASB 101:77    | Derivatives designated and effective as hedging instruments carried at fair value                       |                   |                   |
| AASB 101:77    | Financial assets mandatorily measured at fair value through profit or loss (FVTPL)                      |                   |                   |
| AASB 101:77    | Financial assets designated as at FVTPL   |                   |                   |
| AASB 101:77    | Investments in debt instruments classified as at fair value through other comprehensive income (FVTOCI) |                   |                   |
| AASB 101:77    | Investments in equity instruments designated as at FVTOCI   |                   |                   |
| <hr/>          |   |                   |                   |
| <hr/>          |   |                   |                   |
|                | Current   |                   |                   |
|                | Non-current   |                   |                   |
| <hr/>          |   |                   |                   |
| <hr/>          |   |                   |                   |

## 12. Inventories

|                |                         | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|----------------|-------------------------|-------------------|-------------------|
|                |                         | \$'000            | \$'000            |
|                | <b>Carrying amounts</b> |                   |                   |
| AASB 101:78(c) | Raw materials           |                   |                   |
| AASB 101:78(c) | Work in progress        |                   |                   |
| AASB 101:78(c) | Finished goods          |                   |                   |
| <hr/>          |                         |                   |                   |
| <hr/>          |                         |                   |                   |

Source

### 13. Property, plant and equipment

|                         |   | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|-------------------------|---|-------------------|-------------------|
|                         |   | \$'000            | \$'000            |
| <b>Carrying amounts</b> |   |                   |                   |
| AASB 101:78(a)          | Freehold land                             |                   |                   |
|                         | - At fair value                           |                   |                   |
|                         | - Accumulated depreciation and impairment |                   |                   |
| AASB 101:78(a)          | Buildings                                 |                   |                   |
|                         | - At fair value                           |                   |                   |
|                         | - Accumulated depreciation and impairment |                   |                   |
| AASB 101:78(a)          | Plant and equipment                       |                   |                   |
|                         | - At cost                                 |                   |                   |
|                         | - Accumulated depreciation and impairment |                   |                   |
|                         |   |                   |                   |
|                         |   |                   |                   |
|                         |   |                   |                   |

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

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

#### Impairment losses recognised in the year

AASB 101:125

During the year, as the result of the unexpected poor performance of the manufacturing plant, the Entity carried out a review of the recoverable amount of that manufacturing plant and the related equipment.. The review led to the recognition of an impairment loss of \$ \_\_, which has been recognised in profit or loss. The Entity also estimated the fair value less costs of disposal of the manufacturing plant and the related equipment, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use, which amounted to \$ \_\_ as at 31 December 20X2. The discount rate used in measuring value in use was \_\_% per annum. No impairment assessment was performed in 20X1 as there was no indication of impairment.

Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to \$ \_\_ (0019: \$ \_\_). These losses are attributable to greater than anticipated wear and tear. These assets have been impaired in full.

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

## Source

AASB 101:125, 128

**13. Property, plant and equipment (continued)****Fair value measurement of the Entity's freehold land and buildings**

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 Entity's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Entity's freehold land and buildings as at 31 December 20X2 and 31 December 20X1 were performed by *[name of valuers]*, independent valuers not related to the Entity. *[Name of valuers]* are members of the Institute of Valuers of \_\_\_\_\_, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

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]*. *[Describe the valuation techniques and the inputs used in determining the fair value.]*

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

Source

## 14. Right-of-use assets

|                         |   | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|-------------------------|---|-------------------|-------------------|
|                         |   | \$'000            | \$'000            |
| <b>Carrying amounts</b> |   |                   |                   |
| AASB 101:78(a)          | Buildings                                 |                   |                   |
|                         | - At cost                                 |                   |                   |
|                         | - Accumulated depreciation and impairment |                   |                   |
| AASB 101:78(a)          | Plant                                     |                   |                   |
|                         | - At cost                                 |                   |                   |
|                         | - Accumulated depreciation and impairment |                   |                   |
| AASB 101:78(a)          | Equipment                                 |                   |                   |
|                         | - At cost                                 |                   |                   |
|                         | - Accumulated depreciation and impairment |                   |                   |

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

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

## 15. Investments in subsidiaries, associates and joint ventures

|                                |                               | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|--------------------------------|-------------------------------|-------------------|-------------------|
|                                |                               | \$'000            | \$'000            |
| <b>At cost</b>                 |                               |                   |                   |
| AASB 101:77                    | Investments in subsidiaries   |                   |                   |
| AASB 101:77                    | Accumulated impairment        |                   |                   |
| <b>Using the equity method</b> |                               |                   |                   |
| AASB 101:77                    | Investments in associates     |                   |                   |
| AASB 101:77                    | Investments in joint ventures |                   |                   |

Source

## 16. Other intangible assets

|                         |   | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|-------------------------|---|-------------------|-------------------|
|                         |   | \$'000            | \$'000            |
| <b>Carrying amounts</b> |   |                   |                   |
| AASB 101:77             | Capitalised development                   |                   |                   |
|                         | - At cost                                 |                   |                   |
|                         | - Accumulated amortisation and impairment |                   |                   |
| AASB 101:77             | Patents                                   |                   |                   |
|                         | - At cost                                 |                   |                   |
|                         | - Accumulated amortisation and impairment |                   |                   |
| AASB 101:77             | Trademarks                                |                   |                   |
|                         | - At cost                                 |                   |                   |
|                         | - Accumulated amortisation and impairment |                   |                   |
| AASB 101:77             | Licences                                  |                   |                   |
|                         | - At cost                                 |                   |                   |
|                         | - Accumulated amortisation and impairment |                   |                   |
|                         |   |                   |                   |
|                         |   |                   |                   |
|                         |   |                   |                   |

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

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

AASB 101:125, 128

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

**Source**

AASB 101:77

## 17. Other assets

|                 |   | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|-----------------|---|-------------------|-------------------|
|                 |   | \$'000            | \$'000            |
| AASB 101:78(b)  | Prepayments   |                   |                   |
|                 | Contract assets (i)   |                   |                   |
|                 | - Construction contracts  |                   |                   |
|                 | - Manufacturing contracts   |                   |                   |
|                 | Contract costs  |                   |                   |
|                 | - Costs to obtain contracts   |                   |                   |
|                 | Other <i>[describe]</i>   |                   |                   |
|                 |   |                   |                   |
|                 | Current   |                   |                   |
|                 | Non-current   |                   |                   |
|                 |   |                   |                   |
| AASB 101:112(c) | (i) Amounts relating to contract assets are balances due from customers under construction contracts that arise when the entity receives payments from customers in line with a series of performance related milestones. The entity will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. |                   |                   |

## 18. Trade and other payables

|             |                                   | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|-------------|-----------------------------------|-------------------|-------------------|
|             |                                   | \$'000            | \$'000            |
| AASB 101:77 | Trade payables                    |                   |                   |
| AASB 101:77 | Cash-settled share-based payments |                   |                   |
| AASB 101:77 | Other payables                    |                   |                   |
| AASB 101:77 | Other <i>[describe]</i>           |                   |                   |
|             |                                   |                   |                   |

AASB 101:61

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



Source

## 19. Lease liabilities

|                                    | <u>31/12/20X2</u><br>\$'000 | <u>31/12/20X1</u><br>\$'000 |
|------------------------------------|-----------------------------|-----------------------------|
| <b>Secured – at amortised cost</b> |                             |                             |
| Current                            |                             |                             |
| Non-current                        |                             |                             |
|                                    |                             |                             |
|                                    |                             |                             |

## 20. Borrowings

|                                      | <u>31/12/20X2</u><br>\$'000 | <u>31/12/20X1</u><br>\$'000 |
|--------------------------------------|-----------------------------|-----------------------------|
| <b>Unsecured – at amortised cost</b> |                             |                             |
| Bank overdrafts                      |                             |                             |
| Bills of exchange                    |                             |                             |
| Loans from:                          |                             |                             |
| - Related parties                    |                             |                             |
| - Other entities                     |                             |                             |
| - Government                         |                             |                             |
| Convertible notes                    |                             |                             |
| Perpetual notes                      |                             |                             |
| Other <i>[describe]</i>              |                             |                             |
|                                      |                             |                             |
|                                      |                             |                             |
|                                      |                             |                             |
|                                      |                             |                             |

AASB 101:77

### Secured – at amortised cost

|                           | <u>31/12/20X2</u><br>\$'000 | <u>31/12/20X1</u><br>\$'000 |
|---------------------------|-----------------------------|-----------------------------|
| Bank overdrafts           |                             |                             |
| Bank loans                |                             |                             |
| Loans from other entities |                             |                             |
| Transferred receivables   |                             |                             |
| Other <i>[describe]</i>   |                             |                             |
|                           |                             |                             |
|                           |                             |                             |
|                           |                             |                             |
|                           |                             |                             |
| Current                   |                             |                             |
| Non-current               |                             |                             |
|                           |                             |                             |
|                           |                             |                             |
|                           |                             |                             |

AASB 101:77

Source

## 21. Other financial liabilities

|             |  | 31/12/20X2<br>\$'000 | 31/12/20X1<br>\$'000 |
|-------------|--|----------------------|----------------------|
| AASB 101:77 | Financial guarantee contracts  |                      |                      |
| AASB 101:77 | Derivatives that are designated and effective as hedging instruments carried at fair value |                      |                      |
| AASB 101:77 | Financial liabilities carried at fair value through profit or loss (FVTPL)                 |                      |                      |
| AASB 101:77 | Contingent consideration   |                      |                      |
| AASB 101:77 | Other <i>[describe]</i>  |                      |                      |
|             | Current  |                      |                      |
|             | Non-current  |                      |                      |

## 22. Provisions

|                |                         |  |  |
|----------------|-------------------------|--|--|
| AASB 101:78(d) | Employee benefits       |  |  |
| AASB 101:78(d) | Warranty provision      |  |  |
| AASB 101:78(d) | Restructuring provision |  |  |
| AASB 101:78(d) | Restoration provision   |  |  |
| AASB 101:78(d) | Other provisions        |  |  |
|                | Current                 |  |  |
|                | Non-current             |  |  |

## 23. Other liabilities

|             |  |  |  |
|-------------|--|--|--|
| AASB 101:77 | Contract liabilities (i)                 |  |  |
| AASB 101:77 | Refund liability                         |  |  |
| AASB 101:77 | Deferred income – government grants (ii) |  |  |
| AASB 101:77 | Other <i>[describe]</i>                  |  |  |
|             | Current                                  |  |  |
|             | Non-current                              |  |  |

- AASB 101:112(c)
- (i) Contract liabilities arise from the customer loyalty programme amounts related to construction contracts, and amounts received in advance for the delivery of internet sales
  - (ii) Deferred income arises as a result of the benefit received from an interest-free government loan received in December 20X2. The revenue will be offset against training costs to be incurred in 20X3 (\$ \_\_\_ ) and 20X4 (\$ \_\_\_ ).

**Source**

AASB 101:77

**24. Unitholder capital****Information about the following notes**

Notes 24-26 below set out detailed descriptions and reconciliations for each class of share capital and each component of equity, as required by AASB 101:79, AASB 101:106 and AASB 101:106A. AASB 101 permits some flexibility regarding the level of detail presented in the statement of changes in equity and these supporting notes. AASB 101 allows an analysis of other comprehensive income by item for each component of equity to be presented either in the statement of changes in equity or in the notes. For the purposes of the preparation of this model, the Entity has elected to present the analysis of other comprehensive income in the notes.

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

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

- AASB 101:106A
  - 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)
- AASB 101:106(d)
  - 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)
- AASB 101:90
  - 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)
- AASB 101:106(b)
  - Reclassification adjustments should be presented separately from the related component of other comprehensive income (in the statement of profit or loss and other comprehensive income or in the notes).
- AASB 101:79(a)
 

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

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

**Entities without share capital**

- AASB 101:80
 

An entity without share capital, such as a partnership or trust, is required to disclose information equivalent to that required by AASB 101:79(a), showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

Source

## 24. Unitholder capital (continued)

|                    | 31/12/20X2<br>\$'000                             | 31/12/20X1<br>\$'000 |
|--------------------|--|----------------------|
| AASB 101:79(a)(ii) | _____ fully paid units (31 December 20X1: _____) |                      |

AASB 101:79(a)(i),(iii),(v) [Describe the nature of the entity's equity interests, including rights, preferences and restrictions attaching to each category of equity interest (including any restrictions on entitlements to distributions and repayment of capital).]  
 AASB 101:80

AASB 101:79(a)(i), (iii) An entity that has share capital is required to disclose the number of shares authorised and the par value per share, or that the share have no par value.

For entities incorporated under the *Corporations Act 2001*, there is no concept of authorised capital and issued shares do not have a par value.

| AASB 101:79(a)(iv)                          | <b>Fully paid units</b>    |                             |
|---|----------------------------|-----------------------------|
|   | Number of<br>units<br>'000 | Issued<br>capital<br>\$'000 |
| Balance at 1 January 20X1                   |                            |                             |
| Movements <i>[describe]</i>                 |                            |                             |
| Balance at 31 December 20X1                 |                            |                             |
| Unit buy-backs                              |                            |                             |
| Unit buy-back costs                         |                            |                             |
| Income tax relating to share buy-back costs |                            |                             |
| Balance at 31 December 20X2                 |                            |                             |

Fully paid units carry one vote per share and carry a right to distributions.

AASB 101:79(a)(vii) **Other share options on issue**

An entity shall disclose, for each class of share capital, shares reserved for issue under options, including the terms and amounts.

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

'As at 31 December 20X2, the Entity has \_\_\_\_\_ share options on issue (0019: \_\_\_\_\_), exercisable on a 1:1 basis for \_\_\_\_\_ ordinary shares of the company (0019: \_\_\_\_\_) at an exercise price of \$ \_\_\_\_\_. The options expire between *[date]* and *[date]* (0019: *[date]* and *[date]*), and carry no rights to dividends and no voting rights.'

## Source

**24. Unitholder capital (continued)****Contracts for the sale of shares**

AASB 101:79(a)(vii)

An entity shall disclose, for each class of share capital, contracts for the sale of shares, including the terms and amounts.

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

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

**Shares held by subsidiaries and associates**

AASB 101:79(vi)

Where a subsidiary or an associate holds shares in the entity, the number of shares held is disclosed.

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

AASB 101:AusCF1

AusCF paragraphs and footnotes included in AASB 101 apply only to:

- Not-for-profit entities
- For-profit entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

Such entities are referred to as 'AusCF entities'. For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. For-profit entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) cannot apply AusCF paragraphs or footnotes.

AASB 101:AusCFAus 136.1

In respect of AusCF entities, an entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is not a reporting entity need not present the disclosures required by paragraphs 134–136.

AASB 101:AusCFAus 136.2

Notwithstanding paragraph AusCFAus136.1, in respect of AusCF entities, a not-for-profit entity need not present the disclosures required by paragraphs 134–136.

**Source**

AASB 101:77

AASB 101:79(b)

## 25. Reserves (net of income tax)

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

|   | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|---|-------------------|-------------------|
|   | \$'000            | \$'000            |
| AASB 101:78(e) Properties revaluation                             |                   |                   |
| AASB 101:78(e) Investments revaluation                            |                   |                   |
| AASB 101:78(e) Financial liabilities at FVTPL credit risk reserve |                   |                   |
| AASB 101:78(e) Contributions                                      |                   |                   |
| AASB 101:78(e) Cash flow hedging                                  |                   |                   |
| AASB 101:78(e) Foreign currency translation                       |                   |                   |
| AASB 101:78(e) Option premium on convertible notes                |                   |                   |
| AASB 101:78(e) Other <i>[describe]</i>                            |                   |                   |
|   |                   |                   |
|   |                   |                   |

AASB 101:90, 106(d), 106A

### Properties revaluation reserve

|   | <u>Year ended</u> | <u>Year ended</u> |
|---|-------------------|-------------------|
|   | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|   | \$'000            | \$'000            |
| <b>Balance at the beginning of the year</b>       |                   |                   |
| Increase arising on revaluation of properties     |                   |                   |
| Impairment losses                                 |                   |                   |
| Reversals of impairment losses                    |                   |                   |
| Deferred tax liability arising on revaluation     |                   |                   |
| Reversal of deferred tax liability on revaluation |                   |                   |
| Transferred to retained earnings                  |                   |                   |
| Other <i>[describe]</i>                           |                   |                   |
| <b>Balance at the end of the year</b>             |                   |                   |
|   |                   |                   |

AASB 101:79(b), 82A

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

Source

AASB 101:90, 106(d), 106A

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

### Investments revaluation reserve

AASB 101:82(cb)

AASB 101:82(cb)

AASB 101:79(b), 82A

|   | Investments<br>in equity<br>instruments<br>designated as<br>at FVTOCI<br>\$'000 | Investments in<br>debt<br>instruments<br>classified as at<br>FVTOCI<br>\$'000 | Investments<br>revaluation<br>reserve<br>\$'000 |
|---|---|---|---|
| <b>Balance at 1 January 20X1</b>  |   |   |   |
| Fair value gain/(loss) arising during the period  |   |   |   |
| Income tax relating to fair value gain/(loss) arising during the period   |   |   |   |
| Cumulative (gain)/loss on investments in equity instruments designated as at FVTOCI transferred to retained earnings upon disposal                          |   |   |   |
| Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal                              |   |   |   |
| Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon reclassification from FVTOCI to FVTPL |   |   |   |
| <b>Balance at 1 January 20X2</b>  |   |   |   |
| Fair value gain/(loss) arising during the period  |   |   |   |
| Income tax relating to fair value gain/(loss) arising during the period   |   |   |   |
| Cumulative (gain)/loss on investments in equity instruments designated as at FVTOCI transferred to retained earnings upon disposal                          |   |   |   |
| Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal                              |   |   |   |
| Cumulative (gain)/loss on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon reclassification from FVTOCI to FVTPL |   |   |   |
| <b>Balance at 31 December 20X2</b>  |   |   |   |

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.

Source

AASB 101:90, 106(d), 106A

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

### Financial liabilities at FVTPL credit risk reserve

|  | Year ended<br>31/12/20X2 | Year ended<br>31/12/20X1 |
|--|--------------------------|--------------------------|
|  | \$'000                   | \$'000                   |
| <b>Balance at the beginning of the year</b>  |                          |                          |
| Fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk                        |                          |                          |
| Income tax relating to fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk |                          |                          |
| Transfer of credit risk reserve to retained earnings upon derecognition of related financial liabilities                             |                          |                          |
| <b>Balance at the end of the year</b>  |                          |                          |

AASB 101:106(d), 106A

### Contributions reserve

|   | Year ended<br>31/12/20X2 | Year ended<br>31/12/20X1 |
|---|--------------------------|--------------------------|
|   | \$'000                   | \$'000                   |
| <b>Balance at the beginning of the year</b> |                          |                          |
| Arising on share-based payments             |                          |                          |
| Other <i>[describe]</i>                     |                          |                          |
| <b>Balance at the end of the year</b>       |                          |                          |

AASB 101:79(b), 82A

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



Source

AASB 101:90, 106(d), 106A

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

### Cash flow hedging reserve

|   | <u>Year ended</u><br><u>31/12/20X2</u> | <u>Year ended</u><br><u>31/12/20X1</u> |
|---|--|--|
|   | \$'000                                 | \$'000                                 |
| <b>Balance at the beginning of the year</b>   |  |  |
| Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges         |  |  |
| - Forward foreign exchange contracts  |  |  |
| - Interest rate swaps   |  |  |
| - Currency swaps  |  |  |
| Income tax related to gains/losses recognised in other comprehensive income                                   |  |  |
| Cumulative (gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss |  |  |
| - Forward foreign exchange contracts  |  |  |
| - Interest rate swaps   |  |  |
| - Currency swaps  |  |  |
| Income tax related to amounts reclassified to profit or loss  |  |  |
| Transferred to initial carrying amount of hedged item   |  |  |
| - Forward foreign exchange contracts  |  |  |
| Income tax related to amounts transferred to initial carrying amount of hedged item                           |  |  |
| Other <i>[describe]</i>   |  |  |
| <b>Balance at the end of the year</b>   |  |  |

AASB 101:79(b), 82A

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

Source

AASB 101:90, 106 (d), 106A

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

### Foreign currency translation reserve

|  | Year ended<br>31/12/20X2<br>\$'000 | Year ended<br>31/12/20X1<br>\$'000 |
|--|------------------------------------|------------------------------------|
| <b>Balance at the beginning of the year</b>  |                                    |                                    |
| Exchange differences arising on translating the foreign operations                                   |                                    |                                    |
| Income tax relating to gains arising on translating the net assets of foreign operations             |                                    |                                    |
| Loss on hedging instrument designated in hedges of the net assets of foreign operations              |                                    |                                    |
| Income tax relating to loss on hedge of the net assets of foreign operations                         |                                    |                                    |
| (Gain)/loss reclassified to profit or loss on disposal of foreign operations                         |                                    |                                    |
| Income tax related to gain/loss reclassified on disposal of foreign operations                       |                                    |                                    |
| (Gain)/loss on hedging instrument reclassified to profit or loss on disposal of foreign operations   |                                    |                                    |
| Income tax related to gain/loss on hedging instruments reclassified on disposal of foreign operation |                                    |                                    |
| Other <i>[describe]</i>  |                                    |                                    |
| <b>Balance at the end of the year</b>  |                                    |                                    |

AASB 101:79(b), 82A

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

AASB 101:106 (d), 106A

### Option premium on convertible notes

|   | Year ended<br>31/12/20X2<br>\$'000 | Year ended<br>31/12/20X1<br>\$'000 |
|---|------------------------------------|------------------------------------|
| <b>Balance at the beginning of the year</b>                 |                                    |                                    |
| Recognition of option premium on issue of convertible notes |                                    |                                    |
| Related income tax  |                                    |                                    |
| <b>Balance at the end of the year</b>                       |                                    |                                    |

AASB 101:79(b), 82A

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

Source

AASB 101:106  
(b), (d), 106A

## 26. Retained earnings

|  | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|--|-------------------|-------------------|
|  | \$'000            | \$'000            |
| Retained earnings  |                   |                   |
|  | <u>Year ended</u> | <u>Year ended</u> |
|  | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|  | \$'000            | \$'000            |
| <b>Balance at the beginning of the year</b>  |                   |                   |
| Profit attributable to members of the Entity   |                   |                   |
| Other comprehensive income arising from remeasurement of defined benefit obligation, net of income tax |                   |                   |
| Payment of distributions   |                   |                   |
| Unit buy-back  |                   |                   |
| Related income tax   |                   |                   |
| Transfer from properties revaluation reserve   |                   |                   |
| Other <i>[describe]</i>  |                   |                   |
| <b>Balance at the end of the year</b>  |                   |                   |

## 27. Distributions

|                             | <u>Year ended 31/12/20X2</u> |                     | <u>Year ended 31/12/20X1</u> |                     |
|-----------------------------|------------------------------|---------------------|------------------------------|---------------------|
|                             | <u>Cents per unit</u>        | <u>Total \$'000</u> | <u>Cents per unit</u>        | <u>Total \$'000</u> |
| <b>Recognised amounts</b>   |                              |                     |                              |                     |
| Fully paid ordinary unit    |                              |                     |                              |                     |
| Interim distribution        |                              |                     |                              |                     |
| Final distribution          |                              |                     |                              |                     |
| <b>Unrecognised amounts</b> |                              |                     |                              |                     |
| Fully paid ordinary units   |                              |                     |                              |                     |
| Final distribution          |                              |                     |                              |                     |

AASB 101:107

AASB 101:137(a)

On 28 February 20X2, *[those charged with governance, e.g. the directors of the Trustee]* declared an distribution of \_\_\_ cents per unit to the holders of fully paid units in respect of the financial year ended 31 December 20X2. This distribution has not been included as a liability in these financial statements and will be paid to unitholders on *[date]* 0021. The total estimated distribution to be paid is \$ \_\_\_\_.

AASB 101:107

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

Source

## 27. Distributions (continued)

### Imputation credits (franking credits)

Where the entity has franking credits, the information below should be disclosed where AASB 1054 *Australian Additional Disclosures* is applied. Example disclosures can be found in our *Tier 1 models and reporting consideration* publication, available at [www.deloitte.com/au/models](http://www.deloitte.com/au/models).

AASB 101:107 An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.

AASB 1054:12 The term 'imputation credits' is used in paragraphs 13-15 to also mean 'franking credits'. The disclosures required by paragraphs 13 and 15 shall be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.

AASB 1054:13 An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.

AASB 1054:14 For the purposes of determining the amount required to be disclosed in accordance with paragraph 13, entities may have:

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

AASB 1054:15 Where there are different classes of investors with different entitlements to imputation credits, disclosures shall be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

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

### Cumulative preference dividends not recognised

AASB 101:137(b) An entity shall disclose in the notes to the financial statements the amount of any cumulative preference dividends not recognised.

Source

## 28. Acquisition of businesses

For clarity of presentation in these model financial statements, it has been assumed that there were no businesses acquired in the comparative period. If there had been a business acquired in 0019, all of the disclosures illustrated would also be required for that prior year acquisition.

### Businesses acquired

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

AASB 107:40(a)

#### Consideration transferred

|   | <u><i>[Business 1]</i></u><br>\$'000 | <u><i>[Business 2]</i></u><br>\$'000 |
|---|--------------------------------------|--------------------------------------|
| Cash  |                                      |                                      |
| Transfer of land and buildings at fair value at date of acquisition         |                                      |                                      |
| Contingent consideration arrangement  |                                      |                                      |
| Plus: effect of settlement of legal claim against the distribution business |                                      |                                      |
| Total   |                                      |                                      |

AASB 107:40(d)

#### Assets acquired and liabilities assumed at the date of acquisition

|                             | <u><i>[Business 1]</i></u><br>\$'000 | <u><i>[Business 2]</i></u><br>\$'000 | <u>Total</u><br>\$'000 |
|-----------------------------|--------------------------------------|--------------------------------------|------------------------|
| Cash and cash equivalents   |                                      |                                      |                        |
| Trade and other receivables |                                      |                                      |                        |
| Inventories                 |                                      |                                      |                        |
| Plant and equipment         |                                      |                                      |                        |
| Trade and other payables    |                                      |                                      |                        |
| Deferred tax liabilities    |                                      |                                      |                        |
| Contingent liabilities      |                                      |                                      |                        |
|                             |                                      |                                      |                        |

AASB 107:40(c)

#### Net cash outflow on acquisition of businesses

|  | <u>Year ended</u><br><u>31/12/20X2</u><br>\$'000 | <u>Year ended</u><br><u>31/12/20X1</u><br>\$'000 |
|--|--|--|
| Consideration paid in cash                       |  |  |
| Less: cash and cash equivalent balances acquired |  |  |
|  |  |  |

AASB 107:40(b)

AASB 107:40(c)

Source

## 29. Disposal of businesses

For clarity of presentation in these model financial statements, it has been assumed that there were no businesses disposed in the comparative period. If there had been a business disposed in 0019, all of the disclosures illustrated would also be required for that prior year disposal.

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

### Consideration received

|  | <b>Year ended<br/>31/12/20X2</b> |
|--|----------------------------------|
|  | <b>\$'000</b>                    |
| AASB 107:40(b) Consideration received in cash and cash equivalents |                                  |
| Deferred sales proceeds  |                                  |
| AASB 107:40(a) Total consideration received                        |                                  |

### Book value of net assets sold

|                               | <b>Year ended<br/>31/12/20X2</b> |
|-------------------------------|----------------------------------|
|                               | <b>\$'000</b>                    |
| Cash and cash equivalents     |                                  |
| Trade receivables             |                                  |
| Inventories                   |                                  |
| Property, plant and equipment |                                  |
| Right-of-use assets           |                                  |
| Goodwill                      |                                  |
| Payables                      |                                  |
| Lease liabilities             |                                  |
| Borrowings                    |                                  |
| Deferred tax liabilities      |                                  |
| Net assets disposed of        |                                  |

### Net cash inflow/(outflow) on disposal of business

|  | <b>Year ended<br/>31/12/20X2</b> |
|--|----------------------------------|
|  | <b>\$'000</b>                    |
| Consideration received in cash and cash equivalents                |                                  |
| AASB 107:40(c) Less: cash and cash equivalent balances disposed of |                                  |

Source

### 30. Notes to the statement of cash flows

#### Reconciliation of cash and cash equivalents

AASB 107:45

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

|   | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|---|-------------------|-------------------|
|   | \$'000            | \$'000            |
| Cash and bank balances  |                   |                   |
| Bank overdraft  |                   |                   |
|   |                   |                   |
| Cash and bank balances included in a disposal group held for sale |                   |                   |
|   |                   |                   |
|   |                   |                   |

#### Cash balances not available for use

AASB 107:48

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

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

AASB 1054:16

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

AASB 107:Aus20.2

Not-for-profit entities that use the direct method and that highlight the net cost of services in their statement of comprehensive income for the reporting period shall disclose in the complete set of financial statements a reconciliation of cash flows arising from operating activities to net cost of services as reported in the statement of comprehensive income.

|  | <u>Year ended</u> | <u>Year ended</u> |
|--|-------------------|-------------------|
|  | <u>31/12/20X2</u> | <u>31/12/20X1</u> |
|  | \$'000            | \$'000            |

#### Profit for the year

Income tax expense recognised in profit or loss  
 Share of profits of associates  
 Finance costs recognised in profit or loss  
 Investment revenue recognised in profit or loss  
 Gain on disposal of property, plant and equipment  
 Gain on revaluation of investment property  
 Gain on disposal of business  
 Gain on disposal of interest in former associate  
 Net loss arising on financial liabilities designated as at fair value through profit or loss  
 Net loss arising on financial assets classified as held for trading  
 Hedge ineffectiveness on cash flow hedges

Source

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

|  | Year ended<br>31/12/20X2 | Year ended<br>31/12/20X1 |
|--|--------------------------|--------------------------|
|  | \$'000                   | \$'000                   |
| (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  |                          |                          |
| Reversal of impairment loss on trade receivables   |                          |                          |
| Depreciation and amortisation of non-current assets                                      |                          |                          |
| Impairment of non-current assets   |                          |                          |
| Net foreign exchange (gain)/loss   |                          |                          |
| Amortisation of financial guarantee contracts  |                          |                          |
| Gain arising on effective settlement of claim against the distribution business          |                          |                          |
|  |                          |                          |
| Movements in working capital   |                          |                          |
| - (Increase)/decrease in trade and other receivables                                     |                          |                          |
| - (Increase)/decrease in inventories   |                          |                          |
| - (Increase)/decrease in other assets  |                          |                          |
| - Increase/(decrease) in trade and other payables  |                          |                          |
| - Increase/(decrease) in provisions  |                          |                          |
| - Increase/(decrease) in deferred revenue  |                          |                          |
| - Increase/(decrease) in other liabilities   |                          |                          |
|  |                          |                          |
| Cash generated from operations   |                          |                          |
| Interest paid  |                          |                          |
| Income taxes paid to head entity for tax funding agreement                               |                          |                          |
| <b>Net cash [from/(used in)] operating activities</b>                                    |                          |                          |



Source

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

**Reconciliation of liabilities arising from financing activities**

AASB 107:44A-44E The table below details changes in the entity's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the entity's consolidated statement of cash flows as cash flows from financing activities.

| AASB 107:44B | Year ended 31 December 20X2  | Non-cash changes                 |                                     |   |                                     |                                  |                                  |                      | Balance as at 31/12/20X2<br>\$'000 |
|--------------|--|----------------------------------|-------------------------------------|---|-------------------------------------|----------------------------------|----------------------------------|----------------------|------------------------------------|
|              |  | Balance as at 1/1/20X2<br>\$'000 | Financing cash flows (ii)<br>\$'000 | Equity component of convertible notes<br>\$'000 | Acquisition of subsidiary<br>\$'000 | Disposal of subsidiary<br>\$'000 | Fair value adjustments<br>\$'000 | New leases<br>\$'000 |                                    |
|              | Lease liabilities (note 19)  |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Bank loans (note 20)   |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Bills of exchange (note 20)  |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Loans from related parties (note 20)   |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Loans from other entities (note 20)  |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Loans from government (note 20)  |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Convertible notes (note 20)  |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Perpetual notes (note 20)  |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Other borrowings (i)   |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Interest rate swaps fair value hedging or economically hedging finance liabilities (note 21) |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Contingent consideration (note 21)   |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |

| AASB 107:44B | Year ended 31 December 20X1  | Non-cash changes                 |                                     |   |                                     |                                  |                                  |                      | Balance as at 31/12/20X1<br>\$'000 |
|--------------|--|----------------------------------|-------------------------------------|---|-------------------------------------|----------------------------------|----------------------------------|----------------------|------------------------------------|
|              |  | Balance as at 1/1/20X1<br>\$'000 | Financing cash flows (ii)<br>\$'000 | Equity component of convertible notes<br>\$'000 | Acquisition of subsidiary<br>\$'000 | Disposal of subsidiary<br>\$'000 | Fair value adjustments<br>\$'000 | New leases<br>\$'000 |                                    |
|              | Lease liabilities (note 19)  |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Bank loans (note 20)   | -                                | -                                   | -   | -                                   | -                                | -                                | -                    | -                                  |
|              | Bills of exchange (note 20)  | -                                | -                                   | -   | -                                   | -                                | -                                | -                    | -                                  |
|              | Loans from related parties (note 20)   | -                                | -                                   | -   | -                                   | -                                | -                                | -                    | -                                  |
|              | Loans from other entities (note 20)  |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Loans from government (note 20)  |                                  |                                     |   |                                     |                                  |                                  |                      |                                    |
|              | Convertible notes (note 20)  | -                                | -                                   | -   | -                                   | -                                | -                                | -                    | -                                  |
|              | Perpetual notes (note 20)  | -                                | -                                   | -   | -                                   | -                                | -                                | -                    | -                                  |
|              | Other borrowings (i)   | -                                | -                                   | -   | -                                   | -                                | -                                | -                    | -                                  |
|              | Interest rate swaps fair value hedging or economically hedging finance liabilities (note 21) | -                                | -                                   | -   | -                                   | -                                | -                                | -                    | -                                  |
|              | Contingent consideration (note 21)   | -                                | -                                   | -   | -                                   | -                                | -                                | -                    | -                                  |

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

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

(iii) Other changes include interest accruals and payments.

Source

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

#### Other disclosures

AASB 107:50

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

- 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
- 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
- The aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity.

AASB 107:51

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

AASB 107:43

#### Non-cash transactions

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

- The Entity disposed of property, plant and equipment with an aggregate fair value of \$ \_\_\_\_ to acquire the *[Business 1]* as indicated in note 27
- The Entity acquired \$ \_\_\_\_ of equipment under lease in 20X2 (0019: \$ \_\_\_\_).

Source

### 31. Remuneration of auditors

|                         |  | 31/12/20X2<br>\$ | 31/12/20X1<br>\$ |
|-------------------------|--|------------------|------------------|
| AASB 1054:10, 11        | <b>Deloitte and related network firms*</b>   |                  |                  |
| AASB 1054:10(a)         | Audit or review of financial reports:  |                  |                  |
|                         | - Entity   |                  |                  |
|                         | - Joint operations   |                  |                  |
|                         | Statutory assurance services required by legislation to be provided by the auditor             |                  |                  |
|                         | Other assurance and agreed-upon procedures under other legislation or contractual arrangements |                  |                  |
| AASB 1054:10(b)         | Other services:  |                  |                  |
|                         | - Tax compliance services #  |                  |                  |
|                         | - Consulting services #  |                  |                  |
|                         | - Other <i>[describe]</i>  |                  |                  |
| AASB 1054:10, 11        | <b>Other auditors and their related network firms</b>  |                  |                  |
| AASB 1054:10(a)         | Audit or review of financial reports:  |                  |                  |
|                         | - Joint operations   |                  |                  |
|                         | - Other <i>[describe]</i>  |                  |                  |
|                         | Statutory assurance services required by legislation to be provided by the auditor             |                  |                  |
|                         | Other assurance and agreed-upon procedures under other legislation or contractual arrangements |                  |                  |
| AASB 1054:10(b)         | Other services:  |                  |                  |
| s.300(11B)(a)           | - Tax compliance services #  |                  |                  |
| s.300(11B)(a)           | - Other <i>[describe]</i>  |                  |                  |
| s.300(11B)(a), (11C)(a) | *The auditor of SPFS Holdings Unit Trust is Deloitte Touche Tohmatsu                           |                  |                  |

# These line items are provided by way of example only. The disclosures should provide sufficient detail of the amounts paid or payable to the auditor for each non-audit service

## Source

**31. Remuneration of auditors (continued)****Suggested changes to disclosures**

In November 2020, the Federal Parliamentary Joint Committee on Corporations and Financial Services released *Regulation of Auditing in Australia: Final Report* (available at [parlinfo.aph.gov.au](http://parlinfo.aph.gov.au)). Included in this final report is a recommendation to establish defined categories and associated fee disclosure requirements in relation to audit and non-audit services. This recommendation was directed primarily at the Financial Reporting Council (FRC) and the AASB has a project on audit fee disclosure in progress.

In the meantime, we encourage entities to provide transparent and expanded disclosures in their financial reports. Potential categories of disclosure may include:

- Fees to the group auditor for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities (including joint operations)
- Fees for assurance services that are required by legislation to be provided by the auditor (e.g. for certain reporting to APRA, Queensland Building & Construction Commission reports, AFSL Form FS 71)
- Fees for other assurance and agreed-upon procedures under other legislation or contractual arrangements (e.g. assurance on revenue information under a royalty agreement, comfort letters or agreed-upon procedures on other reports) when there is discretion as to whether the service is provided by the auditor or another firm
- Fees for other services (e.g. tax compliance).

**Additional guidance**

AASB 1054:11

The nature and amount of each category of other services provided by a network firm of the auditor of a parent entity 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 sole practitioner, partnership, corporation or other entity of professional accountants
- An entity that controls such parties through ownership, management or other means
- An entity controlled by such parties through ownership, management or other means, or
- 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 290.13-24 of APES 110.



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