



Model special purpose financial statements

17th Edition

October 2022

Contents

About the model special purpose financial statements	4
Report to unitholders	10
Independent auditor's report	11
Statement by <i>[those charged with governance]</i>	12
Index to the financial statements	13
Statement of profit or loss and other comprehensive income:	
- Alternative 1: Presentation as a single statement, with expenses analysed by function	14
- Alternative 2: Presentation as two statements, with expenses analysed by nature	16
Statement of financial position	18
Statement of changes in equity	21
Statement of cash flows:	
- Alternative 1: Direct method of reporting cash flows from operating activities	22
- Alternative 2: Indirect method of reporting cash flows from operating activities	24
Notes to the financial statements	27

IMPORTANT INFORMATION

The information in this document is current as of 7 October 2022. 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.

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 requirement¹
- 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 statements²
- 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, Australian 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.

¹ 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.

² 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.

Dates

This document has been updated based on legislation, pronouncements, guidance and other information as of 7 October 2022. The financial statements illustrate the versions of applicable pronouncements that are applicable to annual reporting periods beginning on or after 1 January 2022.

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.

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.



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).

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.

Entities preparing special purpose financial statements under the *Corporations Act 2001* for annual reporting periods beginning before 1 July 2021 can refer to the 15th edition of our model special purpose statements, which is available at 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 Australian 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 or 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 statements³.

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 Australian 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.

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 Australian Accounting Standard is being applied).

Where this document is used for financial reporting periods ending after 31 December 2022, 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.

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.

³ AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* and AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* amend a number of pronouncements to require entities to disclose material accounting policy information rather than significant accounting policies. The application date of these amendments is annual periods beginning on or after 1 January 2023. APESB ED 03/22 *Proposed Standard: APES 205 Conformity with Accounting Standards* was released in June 2022, closed for comment on 15 August 2022 and proposed that APES 205 should not be aligned with the AASB amendments (i.e. to retain the requirement for the disclosure of 'significant accounting policies'). At its meeting held on 23 September 2022, the APESB decided to change the term "significant accounting policies" in APES 205 to "material accounting policies". At the date of finalisation of these model financial statements, equivalent amendments had not been made by the APESB to APES 205.

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* (and, in the case of not-for-profit entities registered with the Australian Charities and Not-for-profits Commission (ACNC), additional requirements required by the ACNC Regulations).

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 in accordance with the basis of preparation, but which may provide a useful basis in developing disclosures in financial statements. 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. References to sections in the guide in these model special purpose financial statements are to the 11th Edition published in May 2022. 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
AASB	Australian Accounting Standards Board
AASB 'XX'	Australian Accounting Standard AASB 'XX' issued by the Australian Accounting Standards Board
ACNC	Australian Charities and Not-for-profits Commission
ACNC Act	<i>Australian Charities and Not-for-profits Commission Act 2012</i>
ACNC Reg	<i>Australian Charities and Not-for-profits Commission Regulation 2013</i>
APESB	Accounting Professional & Ethical Standards Board
APES	Professional and Ethical Standard issued by the Accounting Professional and Ethical Standards Board
ASIC	Australian Securities and Investments Commission
Australian Accounting Standards	Accounting Standards made by the Australian Accounting Standards Board
ED	Exposure Draft issued by the Australian Accounting Standards Board
Int	Interpretation 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 of 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)
- ASIC Regulatory Guide 247 *Effective disclosure in an operating and financial review* (RG 247, available at 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),
- IFRS Practice Statement 1 *Management Commentary* (available at 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.

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]*⁴

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 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 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

⁴ "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.

Index to the financial statements

	Page
Statement of profit or loss and other comprehensive income	
- Alternative 1: Presentation as a single statement, with expenses analysed by function	14
- Alternative 2: Presentation as two statements, with expenses analysed by nature	16
Statement of financial position	18
Statement of changes in equity	21
Statement of cash flows	
- Alternative 1: Direct method of reporting cash flows from operating activities	22
- Alternative 2: Indirect method of reporting cash flows from operating activities	24
Notes to the financial statements	
1. General information	27
2. Adoption of new and revised Australian Accounting Standards	38
3. Significant accounting policies	46
4. Critical accounting judgments and key sources of estimation uncertainty	93
5. Profit for the year from continuing operations	98
6. Other gains and losses	99
7. Deferred tax	100
8. Discontinued operations	100
9. Assets classified as held for sale	101
10. Trade and other receivables	102
11. Other financial assets	103
12. Inventories	103
13. Property, plant and equipment	104
14. Right-of-use assets	106
15. Investments in subsidiaries, associates and joint ventures	106
16. Other intangible assets	107
17. Other assets	108
18. Trade and other payables	108
19. Lease liabilities	109
20. Borrowings	109
21. Other financial liabilities	110
22. Provisions	110
23. Other liabilities	111
24. Unitholder capital	111
25. Reserves <i>[(net of income tax</i>	115
26. Retained earnings	120
27. Distributions	120
28. Acquisition of businesses	122
29. Disposal of businesses	123
30. Notes to the statement of cash flows	124
31. Related parties	128
32. Remuneration of auditors	134

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 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000 (Restated)*
AASB 101:51(d), (e) AASB 108:22				
	Continuing operations			
AASB 101:82(a)	Revenue			
AASB 101:99	Cost of sales			
AASB 101:85	Gross profit			
AASB 101:99	Distribution costs			
AASB 101:99	Administrative expenses			
AASB 101:99	Other expenses			
AASB 101:82(c)	Share of profits of associates			
AASB 101:82(c)	Share of profits of joint ventures			
AASB 101:85	Finance income – interest income			
AASB 101:85	Finance income – other			
AASB 101:82(aa)	Gains and losses arising from the derecognition of financial assets measured at amortised cost			
AASB 101:82(ca)	Gains and losses on reclassification of financial assets from amortised cost to FVTPL			
AASB 101:82(cb)	Gains and losses on reclassification of financial assets from FVTOCI to FVTPL			
AASB 101:82(ba)	Impairment losses and gains (including reversals of impairment losses) on financial assets and contract assets			
AASB 101:85	Other gains and losses	6		
AASB 101:82(b)	Finance costs			
AASB 101:85	Profit before tax			
AASB 101:82(d)	Income tax			
AASB 101:85	Profit for the year from continuing operations	5		
	Discontinued operations			
AASB 101:82(ea)	Loss for the year from discontinued operations	8		
AASB 101:81A(a)	Profit for the year			

Source

	Note	Year ended 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000 (Restated)*
AASB 101:51(d), (e) AASB 108:22 AASB 101:91(a)	Other comprehensive income for the year		
AASB 101:82A(a)(i), (b)(i)	Items that will not be reclassified subsequently to profit or loss:		
AASB 101:82A(a)(i)	Gains/(losses) on property revaluation		
AASB 101:82A(a)(i)	Remeasurement of 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)	Items that may be reclassified subsequently to profit or loss:		
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)	Other comprehensive income for the year, net of income tax		
AASB 101:81A(c)	Total comprehensive income for the year		

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

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

Statement of profit or loss

For the year ended 31 December 20X2

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

Source

	Notes	Year ended 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000 (Restated)*
AASB 101:51(d), (e) AASB 108:22			
Continuing operations			
AASB 101:82(a)	Revenue		
AASB 101:82(a)	Finance income – interest income		
AASB 101:85	Finance income – other		
AASB 101:99	Changes in inventories of finished goods and work in progress		
AASB 101:99	Raw materials and consumables used		
AASB 101:99	Depreciation and amortisation expenses	5	
AASB 101:99	Employee benefits expense	5	
AASB 101:82(b)	Finance costs		
AASB 101:99	Transport costs		
AASB 101:99	Advertising costs		
AASB 101:99	Impairment of property, plant and equipment		
AASB 101:99	Impairment of goodwill		
AASB 101:97-98	Restructuring costs		
AASB 101:99	Other expenses		
AASB 101:82(c)	Share of results of associates		
AASB 101:82(c)	Share of results of joint ventures		
AASB 101:82(aa)	Gains and losses arising from the derecognition of financial assets measured at amortised cost		
AASB 101:82(ca)	Gains and loss on reclassification of financial assets from amortised cost to FVTPL		
AASB 101:82(ba)	Impairment losses (including reversals of impairment losses) on financial assets and contract assets		
AASB 101:82(cb)	Gain/(loss) on reclassification of financial assets from FVTOCI to FVTPL		
AASB 101:85	Other gains and losses		
AASB 101:85	Profit before tax		
AASB 101:82(d)	Income tax		
AASB 101:85	Profit for the year from continuing operations	5	
Discontinued operations			
AASB 101:82(ea)	Loss for the year from discontinued operations	8	
AASB 101:81A(a)	Profit for the year		

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

* The comparative information has been restated as a result of [the 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 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000 (Restated)*
AASB 101:51(d), (e) AASB 108:22			
AASB 101:10A	Profit for the year		
	Other comprehensive income for the year		
AASB 101:82A(a)(i), (b)(i)	Items that will not be reclassified subsequently to profit or loss:		
AASB 101:82A(a)(i)	Gains/(losses) on property revaluation		
AASB 101:82A(a)(i)	Remeasurement of 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)	Items that may be reclassified subsequently to profit or loss:		
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 101:91(b)	Income tax relating to items that may be reclassified subsequently to profit or loss		
AASB 101:81A(b)	Other comprehensive income for the year, net of income tax		
AASB 101:81A(c)	Total comprehensive income for the year		

* The comparative information has been restated as a result of *[the 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	31/12/20X2 \$'000	31/12/20X1 \$'000 (Restated)*	1/1/20X1 \$'000 (Restated)*
	Assets				
AASB 101:60	Current assets				
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			
	Total current assets				
AASB 101:60	Non-current assets				
AASB 101:55	Finance lease receivables				
AASB 101:54(d)	Other financial assets	11			
AASB 101:54(a)	Property, plant and equipment	13			
AASB 101:55	Right of use assets	14			
AASB 101:54(b)	Investment property				
AASB 101:54(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			
	Total non-current assets				
	Total assets				

Source

AASB 101:113

AASB 101:51(d), (e)

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

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

AASB 101:106(d)
AASB 101:51(d)-(e)

Balance at 1 January 20X1 (as previously reported)

AASB 101:106(b) Effect of change in accounting policy for *[describe]*

Balance at 1 January 20X1 - as restated*

Profit for the year
Other comprehensive income for the year

Total comprehensive income for the year

Payment of distributions
Share -based payments

Balance at 31 December 20X1

AASB 101:106(d) Profit for the year
AASB 101:106(d) Other comprehensive income for the year
AASB 101:106(a) Total comprehensive income for the year

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 *[describe]*

Balance at 31 December 20X2

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
Balance at 1 January 20X1 (as previously reported)									
Balance at 1 January 20X1 - as restated*									
Profit for the year									
Other comprehensive income for the year									
Total comprehensive income for the year									
Payment of distributions									
Share -based payments									
Balance at 31 December 20X1									
Profit for the year									
Other comprehensive income for the year									
Total comprehensive income for the year									
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>									
Balance at 31 December 20X2									

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 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000 (Restated)*
AASB 101:51(d), (e)				
AASB 107:10	Cash flows from operating activities			
AASB 107:18(a)	Receipts from customers			
	Payments to suppliers and employees			
	Cash [generated from /(used in)] operations			
	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			
	Net cash [from/(used in)] operating activities			
AASB 107:10	Cash flows from investing activities			
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		
	Net cash [(used in)/from] investing activities			

Source

		Notes	Year ended 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000 (Restated)*
AASB 101:51(d), (e)				
AASB 107:10	Cash flows from financing activities			
AASB 107:31	Distributions paid to owners of the Entity			
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			
AASB 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			
	Net cash [(used in)/from] financing activities			
	Net [increase/(decrease)] in cash and cash equivalents			
	Cash and cash equivalents at the beginning of the year			
AASB 107:28	Effects of exchange rate changes			
	Cash and cash equivalents at the end of the year	30		

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

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

Statement of cash flows

For the year ended 31 December 20X2

(Alternative 2: Indirect method of reporting cash flows from operating activities)

Source

	Notes	Year ended 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000 (Restated)*
AASB 101:51(d), (e)			
AASB 108:22			
AASB 107:10			
	Cash flows from operating activities		
AASB 107:18(b)	Profit for the year		
	Adjustments for:		
	- Share of profits of associates and joint ventures		
	- Finance income		
	- Other gains and losses		
	- Finance costs		
	- [Income tax expense]		
	- Gain on disposal of discontinued operations		
	- Depreciation of property, plant and equipment		
	- Impairment losses on property, plant and equipment		
	- Depreciation of right-of-use assets		
	- Impairment losses, net of reversals, on financial assets		
	- Amortisation of intangible assets		
	- Impairment of goodwill		
	- Share-based payment expense		
	- Fair value gain/loss on investment property		
	- Gain on disposal of property, plant and equipment		
	- Fair value gain/loss on derivatives and other financial assets held for trading		
	- Other [describe]		
	Movements in working capital		
	- (Increase)/decrease in inventories		
	- (Increase)/decrease in trade and other receivables		
	- (Increase)/decrease in other assets		
	- Increase/(decrease) in trade and other payables		
	- Increase/(decrease) in provisions		
	- Increase/(decrease) in other liabilities		
	Cash from/(used in) operations		
	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]		
	Net cash [from/(used in)] operating activities		

Source

		Notes	Year ended 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000 (Restated)*
AASB 101:51(d), (e) AASB 108:22				
AASB 107:10	Cash flows from investing activities			
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 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		
	Net cash [(used in)/from] investing activities			
AASB 107:10	Cash flows from financing activities			
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			
AASB 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			
	Net cash [(used in)/from] financing activities			

Source

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

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

* The comparative information has been restated as a result of *[the 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(a) The addresses of the Entity's registered office and principal place of business are as follows:

AASB 101:138(a)	Registered office	Principal place of business
	10 th Floor	1 st 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(c) The parent entity of SPFS Holdings Unit Trust is Parent Holdings (Australia) Limited. Its ultimate parent entity is Ultimate Parent Limited.

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 Australian 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)

Additional disclosures in special purpose financial statements of certain for-profit private sector entities

[AASB 2022-4](#) *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities* introduces new disclosures into AASB 1054 *Australian Additional Disclosures* for annual periods ending on or after 30 June 2022.

Entities affected

Not all special purpose financial statements are required to include the disclosures introduced into AASB 1054 by AASB 2022-4.

The new disclosures are only required in a specified type of special purpose financial statements, being those of for-profit private sector entities that have a **non-legislative requirement** that:

- Was created and last amended before 1 July 2021
- Requires the preparation of financial statements in accordance with Australian Accounting Standards.

Examples of entities that may be required to make these disclosures include:

- Trusts, partnerships, co-operatives and similar entities that only have a non-legislative requirement through their constitution or similar document to prepare financial statements in accordance with Australian Accounting Standards
- Entities that only have an obligation to prepare financial statements that comply with Australian Accounting Standards under a loan or other agreement.

Disclosures required

The special purpose financial statements of a for-profit private sector entity that is required only by its constituting document or another document (created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards shall:

AASB 1054:9C

AASB 1054:9C(a)

AASB 1054:9C(b)

AASB 1054:9C(c)

- Disclose the basis on which the decision to prepare special purpose financial statements was made
- Disclose the following about the material accounting policies applied in the special purpose financial statements, if not already required by another Australian Accounting Standard:
 - The measurement basis (or bases) applied in preparing the special purpose financial statements
 - The other accounting policies applied that are relevant to an understanding of the special purpose financial statements
- When a change in a material accounting policy has an effect on the current period or any prior period, disclose the following, if not already required by another Australian Accounting Standard:
 - The nature of the change in accounting policy
 - The reasons why applying the new accounting policy provides reliable and more relevant information
 - To the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately:
 - For the current period
 - For each prior period presented
 - In the aggregate for periods before those presented
 - An explanation if it is impracticable to determine the amounts to be disclosed (referred to immediately above).

Financial statements of subsequent periods need not repeat these disclosures.

Source

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

- AASB 1054:9C(d)
- 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 shall also disclose the reasons why that is the case
- AASB 1054:9C(e)
- 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 AASB 10 and AASB 128), disclose an indication of how it does not comply
- AASB 1054:9C(f)
- Disclose whether or not the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for AASB 10 and AASB 128).

The amendments include implementation guidance illustrating the disclosures for various entities.

The new disclosures are similar to those already required in special purpose financial statements of not-for-profit entities. The disclosures may optionally be included in other special purpose financial statements, although similar disclosures are already required under APES 205 *Conformity with Accounting Standards* in most cases (discussed in the section that follows).

The above disclosures have been illustrated in these model special purpose financial statements.

Disclosure requirements under APES 205 *Conformity with Accounting Standards*

APES 205:6.1

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

- 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.

The disclosure requirements in APES 205 differ to the amendments made by the AASB by [AASB 2022-4 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities](#) (discussed above) in the following ways:

APES 205 disclosure requirements

APES 205:6.1(b)
AASB 1054:9C(a)

The purpose for which the special purpose financial statements have been prepared

AASB 1054 disclosure Requirements

Statutory basis or other reporting framework, if any, under which the financial statements are prepared • the basis on which the decision to prepare special purpose financial statements was made

APES 205:6.1(c)
AASB 1054:9C(b), (c),

The significant accounting policies adopted in the preparation and presentation of the special purpose financial statements.

Information about the material accounting policies applied in the special purpose financial statements, including information about changes in those policies.

Source

1. General information (continued)**Financial reporting framework (continued)****Disclosure requirements under APES 205 *Conformity with Accounting Standards* (continued)*****APESB proposals on special purpose financial reporting***

In June 2022 the APESB issued Exposure Draft ED 03/22 *Proposed Standard: APES 205 Conformity with Accounting Standards* (ED 03/22) which proposed to amend APES 205 *Conformity with Accounting Standards* to respond to recent changes to the Australian financial reporting framework, including the removal of the reporting entity concept, new disclosures in special purpose financial statements of certain entities (including the new disclosures discussed above – starting on page 28) and forthcoming changes to accounting policy disclosure.

ED 03/22 did not propose to align disclosures required by APES 205 in special purpose financial statements with disclosures required under Australian Accounting Standards on accounting policies and the nature of the reporting framework, but did propose to exempt entities with disclosure obligations about special purpose financial statements under AASB 1054 *Australian Additional Disclosures* from the disclosures about special purpose financial statements in APES 205.

ED 03/22: APES
205:6.2

Specifically in terms of ED 03/22, the proposed paragraph 6.2 of APES 205 would note that the disclosure requirements in APES 205.6.1 do not apply to special purpose financial statements prepared by the following entities that include the disclosures required by Australian Accounting Standards (i.e. AASB 1054 *Australian Additional Disclosures*):

- A for-profit private sector entity that is required only by its constituting document or another document (created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards
- A not-for-profit private sector entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001*
- An entity that is required to prepare financial reports in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and *Australian Charities and Not-for-profits Commission Regulation 2013*.

It is proposed that the proposals in ED 03/22 will be effective for engagements commencing on or after 1 January 2023. Comments on the proposals closed on 15 August 2022.

At its meeting held on 23 September 2022, the APESB decided to change the term “significant accounting policies” in APES 205 to “material accounting policies”. As of the cut-off date of this document (7 October 2022) the proposed revisions to APES 205 have not been finalised.

More information is available in the [APESB Technical Alert](#) and [September 2022 APESB meeting highlights](#) document.

Source

1. General information (continued)**Financial reporting framework (continued)****Disclosure requirements under APES 205 *Conformity with Accounting Standards* (continued)*****Illustrative disclosure***

Below is an illustrative disclosure of the disclosure requirements under APES 205:6.1 for entities which apply these disclosure requirements (as opposed to the disclosure requirements under AASB 1054 effective for annual periods ending on or after 30 June 2022, discussed in the previous section – starting on page 28).

AASB 1054:9
APES 205:6.1(a), (b)

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 1054:7, 8(a)
APES 205:6.1(c)

The financial statements have been prepared in accordance with *[state the reporting mandate, e.g. the requirements of the Trust 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(a)
APES 205:6.1(c)

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 Australian Accounting Standards and/or Interpretations not complied with]

Guidance

Australian Accounting Standards and Interpretations should not be listed where:

- The Australian 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 Australian 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(c)

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. Illustrative disclosure is set out below.

Source

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

If the proposals in ED 03/22 (discussed above) become effective for engagements commencing on or after 1 January 2023, for engagements prior to 1 January 2023, entities which are required to provide the new disclosures introduced into AASB 1054 (effective for annual periods ending on or after 30 June 2022) will need to apply both the new disclosure introduced into AASB 1054 and the disclosure requirements of APES 205. Below is an illustrative disclosure which includes the disclosure requirements of both AASB 1054 and APES 205.

AASB 1054:9, 9C(a)
APES 205:6.1(a), (b)

These special purpose financial statements of the Entity have been prepared to satisfy *[state the reporting mandate, e.g. the requirements of the Trust constitution]*, which requires the financial statements to comply with Australian Accounting Standards. In the opinion of *[those charged with governance, e.g. the directors of the Trustee]*, it is unlikely there are users of the financial report who are not in a position to require the preparation of reports tailored to their information needs.

APES 205:6.1(c)

Presentation of consolidated financial statements

Where the entity has subsidiaries and 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.

AASB 1054:9, 9C(d), (f)
APES 205:6.1(c)

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. *[Those charged with governance, e.g. the directors of the Trustee]* will provide consolidated information to financial statement users upon request. The entity's accounting policy for investments in subsidiaries is explained in Note 3.

AASB 1054:9C(f)

Additional disclosures in certain special purpose financial statements

The special purpose financial statements of a for-profit private sector entity that is required only by its constituting document or another document (created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards should disclose whether or not the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for AASB 10 and AASB 128).

AASB 1054:8(a), 9C(f)

The Entity's special purpose financial statements have been prepared in accordance with *[state the reporting mandate, e.g. the requirements of the Trust constitution]* and comply with all the recognition and measurement requirements in Australian Accounting Standards for separate financial statements 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 1054:8(a), 9C(f)

The Entity's special purpose financial statements have been prepared in accordance with *[state the reporting mandate, e.g. the requirements of the Trust constitution]* and comply with all the recognition and measurement requirements in Australian Accounting Standards for separate financial statements except for the disclosure requirements of the following Australian Accounting Standards:

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

Source

1. General information (continued)

Financial reporting framework (continued)

Additional disclosures in certain special purpose financial statements (continued)

Australian Accounting Standards and Interpretations should not be listed where:

- The Australian 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 Australian Accounting Standard or Interpretation have been complied with in order to meet the information needs of the special purpose users.

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

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.

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
APES 205:6.1

AASB 1054:9A(a)
AASB 1054:8(b)

Source

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

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.

Changes to reporting requirements for ACNC-registered charities

Following the draft legislation issued on 20 September 2021, the final amendments to the *Australian Charities and Not-for-profits Commissions Regulation 2013* were registered on 12 November 2021 via *Australian Charities and Not-for-profits Commission Amendment (2021 Measures No. 3) Regulations 2021*. The key amendments are:

Increased ACNC financial reporting thresholds

Under the new financial reporting thresholds, which are effective from the 2021-2022 financial year (2022 Annual Information Statements 'AIS' reporting period) onwards, the annual revenue thresholds have been amended as follows:

Charity size	Current thresholds	Revised thresholds	Minimum ACNC reporting requirement (unchanged)
Small	Less than \$250,000	Less than \$500,000	Annual information statement
Medium	\$250,000 or more and less than \$1 million	\$500,000 or more and less than \$3 million	Annual information statement and reviewed financial report
Large	\$1 million or more	\$3 million or more	Annual information statement and audited financial report

Key management personnel compensation disclosures – certain large charities only

For the 2021-2022 financial year (2022 AIS reporting period) onwards, large charities preparing special purpose financial statements will be required to report key management personnel compensation (KMP) remuneration paid unless the charity has only one KMP who is remunerated and does not have KMP services provided by a 'separate management entity'. For charities that are impacted, the June/December 2022 reporting season will be the first year this new disclosure requirement will be applicable. The ACNC Commissioner has exercised discretion that allows charities that prepare special purpose financial statements and apply AASB 124 *Related Party Disclosures* (AASB 124) to only disclose the total amount of KMP remuneration (i.e. sub-categories of KMP remuneration disclosures are not mandatory). Charities must as a minimum disclose KMP remuneration in total. Comparatives are also not required for the first year of disclosure in 2022 and charities only need to report one period of KMP in total.

Source

1. General information (continued)**Financial reporting framework (continued)****Information about special purpose financial statements of not-for-profit private sector entities (continued)*****Related party transaction disclosures – large and medium charities***

For the 2022-2023 financial year (2023 AIS reporting period) onwards, all medium and large charities preparing special purpose financial statements will be required to report related party transactions to the ACNC. This is aimed to increase transparency of transactions with related individuals or organisations that pose a higher risk of conflict of interest. Under the new amendments for 2022-2023 financial year onwards, charities preparing special purpose financial statements will need to comply with an additional Australian Accounting Standard, AASB 124, in addition to the current five minimum standards required under the ACNC regulations as follows:

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

A choice is provided to either adopt full disclosure requirements for all six minimum standards (including AASB 124) or Simplified Disclosure requirements detailed in AASB 1060 for the six minimum standards. Similar to KMP disclosures, the ACNC Commissioner has exercised discretion that comparatives are not required for the first year of adoption of related party transaction disclosure in SPFS.

Effective from 2021-2022 financial year (2022 AIS reporting period) onwards – year ending 30 June 2022 or 31 December 2022

For ACNC-registered charities preparing special purpose financial statements, below is wording that can be considered in the case when the ACNC-registered charity is required to make key management personnel compensation disclosures in accordance with AASB 124 for the first time for the year ending 30 June 2022 or 31 December 2022.

The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of the following Australian Accounting Standards to the extent applicable as required under Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*:

- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 124 *Related Party Disclosures* (to the extent that it relates to the disclosure of key management personnel compensation)
- AASB 1048 *Interpretation of Standards*
- AASB 1054 *Australian Additional Disclosures*.

Source

1. General information (continued)**Financial reporting framework (continued)****Information about special purpose financial statements of not-for-profit private sector entities (continued)***Effective from 2022-2023 financial year (2023 AIS reporting period) onwards**– year ending 30 June 2023 or 31 December 2023*

For medium and large ACNC-registered charities preparing special purpose financial statements, below is wording that can be considered in the case when the ACNC-registered charity complies with AASB 124 (or the AASB 1060 simplified disclosures version⁵ of AASB 124) for the first time for the year ending 30 June 2023 or 31 December 2023.

The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of the following Australian Accounting Standards to the extent applicable as required under Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*:

- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 124 *Related Party Disclosures*
- AASB 1048 *Interpretation of Standards*
- AASB 1054 *Australian Additional Disclosures*.

For more information see:

- Clarity publication: [Not-for-profit 2022 financial reporting update](#)
- Model Tier 2 financial report - Financial reporting periods ending on or after 30 June 2022 which is available at www.deloitte.com/au/models for an illustrative disclosure of the Simplified Disclosures requirements for all six minimum standards.

⁵ A choice is provided to either adopt full disclosure requirements for all six minimum standards (including AASB 124) or Simplified Disclosure requirements detailed in AASB 1060 for the six minimum standards.

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

AASB 108:28
AASB 1054.9C (see
note below)

2. Adoption of new and revised Australian Accounting Standards

Change in accounting policy

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 Australian Accounting Standard⁶
- When applicable, that the change in accounting policy is made in accordance with its transitional provisions⁶
- The nature of the change in accounting policy
- When applicable, a description of the transitional provisions⁶
- When applicable, the transitional provisions that might have an effect on future periods⁶
- 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^{7,6}
- The amount of the adjustment relating to periods before those presented, to the extent practicable⁸
- 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.

Note: The disclosure requirements in AASB 1054 *Australian Additional Disclosures* paragraph 9C only apply to the special purpose financial statements of a for-profit private sector entity that is required only by its constituting document or another document (created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards. However if the entity applies AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* the AASB 108 the disclosure requirements in AASB 108 should be provided.

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.

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 108:29
AASB 1054.9C (see
note below)

⁶ Disclosure requirement not specifically required by AASB 1054

⁷ AASB 133 would generally not be applied in the presentation of special purpose financial statements

⁸ AASB 1054 requires the disclosure in *aggregate* for periods before those presented

Source

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

Change in accounting policy (continued)

Voluntary changes in accounting policies (continued)

Note: The disclosure requirements in AASB 1054 *Australian Additional Disclosures* paragraph 9C only apply to the special purpose financial statements of a for-profit private sector entity that is required only by its constituting document or another document (created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards. However if the entity applies AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* the disclosure requirements in AASB 108 should be provided.

AASB 108:20

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

Early adoption of Australian Accounting Standards

When applying an Australian Accounting Standard before its mandatory application date, the requirements of the Australian Accounting Standard and the entity's reporting mandate should be considered. For instance, some Australian 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 Australian Accounting Standards require disclosure when they have been applied before their mandatory application date.

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

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

Change in accounting policy (continued)

[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 Entity⁹.

AASB 108:28(f)(i)

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

AASB 108:28(g)

There is no impact on the consolidated statement of cash flows.
[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].

⁹ 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(f)(ii)

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

	Impact on profit for the year from continuing operations		Impact on basic earnings per unit*		Impact on diluted earnings per unit*	
	31/12/20X2	31/12/20X1	31/12/20X2	31/12/20X1	31/12/20X2	31/12/20X1
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Changes in accounting policies relating to:						
<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, the impact on basic and diluted earnings per unit would 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 Entity¹⁰.

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

There is no impact on the consolidated statement of cash flows.

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.*

	Impact on profit for the year from continuing operations		Impact on basic earnings per unit*		Impact on diluted earnings per unit*	
	31/12/20X2 \$'000	31/12/20X1 \$'000	31/12/20X2 \$'000	31/12/20X1 \$'000	31/12/20X2 \$'000	31/12/20X1 \$'000
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, the impact on basic and diluted earnings per unit will ordinarily not be disclosed.

¹⁰ The disclosures are based on profit or loss and other comprehensive income presented as a single statement.

Source

AASB 108:41, 45

AASB 108:49(d)

AASB 101:41, 42

AASB 108:28(a)-(d)

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

Prior period errors (continued)

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.

Comparative amounts

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.

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

New and revised Australian Accounting Standards *[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 period, illustrative examples of the newly applicable pronouncements are not provided (except for the guidance for ACNC registered entities noted immediately below). 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.

Source

AASB 108:28(a)-(d)

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

New and amended Australian Accounting Standards that are effective for the current year (continued)

Changes to reporting requirements for ACNC-registered charities

Effective from 2021-2022 financial year (2022 AIS reporting period) onwards – year ending 30 June 2022 or 31 December 2022

For ACNC-registered charities preparing special purpose financial statements, below is wording that can be considered in the case when the ACNC-registered charity is required to make key management personnel compensation disclosures in accordance with AASB 124 *Related Party Disclosures* for the first time for the year ending 30 June 2022 or 31 December 2022. In cases where the ACNC-registered charity is exempted from making key management personnel compensation disclosures, the following wording is not required.

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

- AASB 124 *Related Party Disclosures* (to the extent that it relates to the disclosure of key management personnel compensation).

In the current financial year, the Entity has applied AASB 124 to the extent that it relates to the disclosure of key management personnel compensation as required under Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*:

Effective from 2022-2023 financial year (2023 AIS reporting period) onwards – year ending 30 June 2023 or 31 December 2023

For medium and large ACNC-registered charities preparing special purpose financial statements, below is wording that can be considered in the case when the ACNC-registered charity complies with AASB 124 (or the AASB 1060 Simplified Disclosures version¹¹ of AASB 124) for the first time for the year ending 30 June 2023 or 31 December 2023.

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

- AASB 124 *Related Party Disclosures*.

In the current financial year, the Entity has applied AASB 124 to the extent applicable as required under Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

¹¹ A choice is provided to either adopt full disclosure requirements for all six minimum standards (including AASB 124) or Simplified Disclosure requirements detailed in AASB 1060 for the six minimum standards.

Source

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

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 Australian Accounting 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]*

AASB 108:30

Disclosure requirements of AASB 108

When an entity has not applied a new Australian 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 Australian 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 Australian 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 2022. 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 special purpose financial statements.

Source

3. Significant accounting policies (continued)

APES 205 *Conformity with Accounting Standards*

As discussed on page 29 (under section Disclosure requirements under APES 205 *Conformity with Accounting Standards*) the APESB [released proposals](#) to amend APES 205 *Conformity with Accounting Standards* to respond to recent changes to the Australian financial reporting framework, including the removal of the reporting entity concept, new disclosures in special purpose financial statements of certain entities and forthcoming changes to accounting policy disclosure.

The APESB did not propose to align disclosures required by APES 205 in special purpose financial statements with disclosures required under Australian Accounting Standards on accounting policies and the nature of the reporting framework, but did propose to exempt entities with disclosure obligations about special purpose financial statements under AASB 1054 *Australian Additional Disclosures* from the disclosures about special purpose financial statements in APES 205.

At its [meeting](#) held on 23 September 2022, the APESB decided to change the term “significant accounting policies” in APES 205 to “material accounting policies”. At the date of finalisation of this document, a revised version of APES 205 had not been issued.

If the proposals in ED 03/22 (as subsequently amended by the APESB) become effective for engagements commencing on or after 1 January 2023, entities that report in accordance with APES 205 after 1 January 2023 will:

- Identify material accounting policies adopted in the preparation and presentation of the special purpose financial statements (in order to satisfy the requirements of APES 205)
- Disclosure material accounting policy information where AASB 101 *Presentation of Financial Statements* is being applied in the special purpose financial statements.

However, the proposals in ED 03/22 would exclude the following types of entities from compliance with the amended paragraph 6.1 of APES 205:

- A for-profit private sector entity that is required only by its constituting document or another document (created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards
- A not-for-profit private sector entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act
- An entity that is required to prepare financial reports in accordance with the ACNC Act and *Australian Charities and Not-for-profits Commission Regulation 2013*.

Entities choosing or required to comply with AASB 1054 *Australian Additional Disclosures* which are within the scope of paragraphs 9A and 9B (in respect of not-for-profit private sector entities), or paragraph 9C (in respect of certain for-profit private sector entities) of that Standard will be required to disclose information about material accounting policies applied in the special purpose financial statements in accordance with those paragraphs.

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 Australian 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.

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.

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.

If there is objective evidence that the Group's net investment in an associate or joint venture is impaired, 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. 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.

Source

3. Significant accounting policies (continued)

Investments in subsidiaries, associates and joint ventures (continued)

Investments in associates and joint ventures (continued)

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 *Financial Instruments*.

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 *Investments in Associates and Joint Ventures* (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.

Source

3. Significant accounting policies (continued)

Interests in joint operations (continued)

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

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)

Revenue recognition (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 *Revenue from Contracts with Customers*. 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

AASB 1058:8-10

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.

AASB 1058:15-17

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

AASB 1058:19

The entity regularly receives volunteer services as part of its operations. Under AASB 1058 *Income of Not-for-Profit Entities*, 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

AASB 102:Aus10.1-Aus10.2

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.

Leases at significantly below-market terms and conditions (concessionary leases) (not-for-profit entities)

AASB 16:Aus25.2
AASB 16:Aus59.1

For not-for-profit entities with leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives (commonly known as concessionary leases or peppercorn leases), AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases* requires not-for-profit entities to measure right-of-use assets at initial recognition at fair value (based on AASB 13 *Fair Value Measurement*), the lease liability per AASB 16 and the difference to be accounted as income upfront.

AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* provides a temporary option for not-for-profit lessees to elect to measure a class (or classes) of right-of-use assets arising under 'concessionary leases' at initial recognition, at either fair value or cost. If an entity chooses the cost option, additional disclosures are required for each material 'concessionary / peppercorn lease' on the nature and terms and the entity's dependence on such leases.

AASB 2019-8 *Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases* specify for not-for-profit entities that right-of-use assets arising under concessionary leases can be treated as a separate class of right-of-use assets to right-of-use assets arising under other leases for the purposes of AASB 16.

AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15* retains the temporary option provided under AASB 2018-8 for not-for-profit private sector lessees to elect to measure a class (or classes) of right-of-use assets arising under 'concessionary leases' at initial recognition, at either fair value or cost on an ongoing basis. For not-for-profit public sector lessees, consideration of the accounting policy choice has been deferred pending Board decision on any additional guidance for measuring the fair value of ROU assets under concessionary leases. If an entity chooses the cost option, additional disclosures are required for each material 'concessionary / peppercorn lease' on the nature and terms and the entity's dependence on such leases.

Source

3. Significant accounting policies (continued)

Leases at significantly below-market terms and conditions (concessionary leases) (*not-for-profit entities*) (continued)

The Group has some at-market leases and some leases at significantly below-market terms and conditions (concessionary leases).

For the at-market leases, these will be accounted for under AASB 16.

For the concessionary leases, the Group has decided to make use of the option under AASB 2022-3 to measure the right-of-use assets at cost on initial recognition. The Group has also made the necessary disclosures in note 31 for each material concessionary lease as required by AASB 16:Aus59.1-2.

The Group has also decided to apply AASB 2019-8 to treat right-of-use assets arising under concessionary leases as a separate class of right-of-use assets to right-of-use assets arising under other leases for the purposes of AASB 16.

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.

AASB 16:15
AASB 16:60

Source

3. Significant accounting policies (continued)

Leases (continued)

The Entity as lessee (continued)

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.

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.

Source

3. Significant accounting policies (continued)**Leases (continued)****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.

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.

Source

3. Significant accounting policies (continued)

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.

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.

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.

Source

3. Significant accounting policies (continued)**Borrowing costs**

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

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.

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.

Source

3. Significant accounting policies (continued)

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.

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.

Source

3. Significant accounting policies (continued)**Employee benefits (continued)****Retirement benefits costs (continued)**

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.

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.

Int 1052.16

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.

Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Entity is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 30. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Entity's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

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.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

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

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

Classification of financial assets

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

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

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

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

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

Despite the foregoing, the 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.

Source

3. Significant accounting policies (continued)**Financial instruments (continued)****Financial assets (continued)*****Classification of financial assets (continued)******Amortised cost and effective interest method (continued)***

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

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

For purchased or originated credit-impaired financial assets, the 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.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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).

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.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Foreign exchange gains and losses

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

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

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.

Source

3. Significant accounting policies (continued)**Financial instruments (continued)****Financial assets (continued)*****Impairment of financial assets (continued)******Significant increase in credit risk***

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the 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.

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.

Source

3. Significant accounting policies (continued)**Financial instruments (continued)****Financial assets (continued)*****Impairment of financial assets (continued)******Significant increase in credit risk (continued)***

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.

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.

Source

3. Significant accounting policies (continued)**Financial instruments (continued)****Financial assets (continued)*****Impairment of financial assets******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.

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.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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.

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.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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.

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.

Source

3. Significant accounting policies (continued)**Financial instruments (continued)****Financial liabilities and equity (continued)*****Financial liabilities at FVTPL (continued)***

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.

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.

Source

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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.

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.

Source

3. Significant accounting policies (continued)

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.

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.

Source

3. Significant accounting policies (continued)**Derivative financial instruments (continued)****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 under it.

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.

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 \$ ____ (20X1: \$ ____) 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 \$ ____ (20X1: \$ ____) 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	<p>The effect of a change in an accounting estimate, shall be recognised prospectively by including it in profit or loss in:</p> <ul style="list-style-type: none"> • The period of the change, if the change affects that period only, or • The period of the change and future periods, if the change affects both.
AASB 108:37	<p>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.</p>
AASB 108:39, 40	<p>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.</p>
AASB 108:40	<p>If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.</p>
AASB 101:131	<p>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.</p>

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 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000
	Employee benefits expenses		
	- Post-employment benefits		
	- Share-based payments		
	- Termination benefits		
	- Other employee benefits		
AASB 101:104			
AASB 101:104	Depreciation and amortisation		
	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

6. Other gains and losses

AASB 101:98(c)

AASB 101:98(d)

Continuing operations

Gain on disposal of property, plant and equipment

Gain/(loss) on disposal of investments measured at fair value through profit or loss

Reclassification of net gain/(loss) on debt investments classified as at FVTOCI from equity to profit or loss upon disposal

Cumulative loss reclassified from equity on impairment of available-for-sale investments

Government grants received for staff re-training

Net foreign exchange gains/(losses)

Gain arising on effective settlement of legal claim against the distribution business (note 27)

Net gain/(loss) arising on financial assets designated as at FVTPL

Net (loss) arising on financial liabilities designated as at FVTPL (i)

Net gain arising on financial assets mandatorily measured as at FVTPL (ii)

Net (loss) arising on financial liabilities mandatorily measured at FVTPL

Net gain/(loss) arising on derecognition of financial liabilities measured at amortised cost

Net gain/(loss) arising on modification of financial instruments measured at amortised cost that were not derecognised

Change in fair value of investment property

Hedge ineffectiveness on cash flow hedges

Hedge ineffectiveness on net investment hedges

Year ended
31/12/20X2
\$'000

Year ended
31/12/20X1
\$'000

- (i) The net loss on these financial liabilities designated as at FVTPL includes a gain of \$ ____ resulting from the decrease in fair value of the liabilities other than the changes in the fair value of the liabilities attributable to the liabilities' credit risk, offset by dividends of \$ ____ paid during the year.
- (ii) The amount represents a net gain on non-derivative financial assets held for trading and comprises an increase in fair value of \$ ____ (20X1: \$ ____), including interest of \$ ____ received during the year (20X1: \$ ____)

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

Source

8. Discontinued operations (continued)

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

Year ended 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000

AASB 101:77

9. Assets classified as held for sale

Freehold land held for sale (i)
 Assets related to *[describe]* business (ii)

Liabilities associated with assets held for sale (ii)

Amounts recognised directly in equity associated with assets held for sale

31/12/20X2 \$'000	31/12/20X1 \$'000

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:

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

10. Trade and other receivables

	31/12/20X2	31/12/20X1
	\$'000	\$'000
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 <i>[describe]</i>		

Source

11. Other financial assets

		31/12/20X2 \$'000	31/12/20X1 \$'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		
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		
	Current		
	Non-current		

12. Inventories

		31/12/20X2 \$'000	31/12/20X1 \$'000
	Carrying amounts		
AASB 101:78(c)	Raw materials		
AASB 101:78(c)	Work in progress		
AASB 101:78(c)	Finished goods		

Source

13. Property, plant and equipment

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

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

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

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 \$ __ (20X1: \$ __). 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

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

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

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

15. Investments in subsidiaries, associates and joint ventures

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

Source

16. Other intangible assets

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

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

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

AASB 101:125, 128

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

Source

AASB 101:77

17. Other assets

		31/12/20X2	31/12/20X1
		\$'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

		31/12/20X2	31/12/20X1
		\$'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

	31/12/20X2	31/12/20X1
	\$'000	\$'000
Secured – at amortised cost		
Current		
Non-current		

20. Borrowings

	31/12/20X2	31/12/20X1
	\$'000	\$'000

AASB 101:77

Unsecured – at amortised cost

Bank overdrafts
 Bills of exchange
 Loans from:
 - Related parties
 - Other entities
 - Government
 Convertible notes
 Perpetual notes
 Other *[describe]*

AASB 101:77

Secured – at amortised cost

Bank overdrafts
 Bank loans
 Loans from other entities
 Transferred receivables
 Other *[describe]*

Current
 Non-current

Source

21. Other financial liabilities

		31/12/20X2 \$'000	31/12/20X1 \$'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

		31/12/20X2 \$'000	31/12/20X1 \$'000
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		

Source

23. Other liabilities

		31/12/20X2 \$'000	31/12/20X1 \$'000
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 (\$ ____).

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).

Source

24. Unitholder capital (continued)

Information about the following notes (continued)

AASB 101:79(a)	<p>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:</p> <ul style="list-style-type: none">• 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.
AASB 101:80	<p>Entities without share capital</p> <p>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.</p>

		31/12/20X2	31/12/20X1
		\$'000	\$'000
AASB 101:79(a)(ii)	_____ fully paid units (31 December 20X1: _____)	_____	_____
AASB 101:79(a)(i),(iii),(v) AASB 101:80	[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 101:79(a)(i), (iii)	<p>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.</p> <p>For entities incorporated under the <i>Corporations Act 2001</i>, there is no concept of authorised capital and issued shares do not have a par value.</p>		

Source

AASB 101:79(a)(iv)

24. Unitholder capital (continued)
Fully paid units

	Number of units '000	Issued capital \$'000
Balance at 1 January 20X1		
Movements <i>[describe]</i>		
Balance at 31 December 20X1		
Unit buy-backs		
Unit buy-back costs		
<i>[Income tax relating to share buy-back costs]</i>		
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 (20X1: _____), exercisable on a 1:1 basis for _____ ordinary shares of the company (20X1: _____) at an exercise price of \$ _____. The options expire between *[date]* and *[date]* (20X1: *[date]* and *[date]*), and carry no rights to dividends and no voting rights.'

AASB 101:79(a)(vii)

Contracts for the sale of shares

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]*.'

AASB 101:79(vi)

Shares held by subsidiaries and associates

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

Source

24. Unitholder capital (continued)**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
	Balance at the beginning of the year		
	Increase arising on revaluation of properties		
	Impairment losses		
	Reversals of impairment losses		
	Deferred tax liability arising on revaluation		
	Reversal of deferred tax liability on revaluation		
	Transferred to retained earnings		
	Other <i>[describe]</i>		
	Balance at the end of the year		
AASB 101:79(b), 82A	The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the properties revaluation reserve will not be reclassified subsequently to profit or loss.		

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 in equity instruments designated as at FVTOCI \$'000	Investments in debt instruments classified as at FVTOCI \$'000	Investments revaluation reserve \$'000
Balance at 1 January 20X1			
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			
Balance at 1 January 20X2			
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			
Balance at 31 December 20X2			
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 31/12/20X2	Year ended 31/12/20X1
	\$'000	\$'000
Balance at the beginning of the year		
Fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk		
<i>[Income tax relating to fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk]</i>		
Transfer of credit risk reserve to retained earnings upon derecognition of related financial liabilities		
Balance at the end of the year		

AASB 101:106(d), 106A

Contributions reserve

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

AASB 101:79(b), 82A

The contributions reserve is used to separately account for the grant of share options to employees of the 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**

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

AASB 101:79(b), 82A

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

Source

AASB 101:90, 106
(d), 106A**25. Reserves [(net of income tax)] (continued)****Foreign currency translation reserve**

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

AASB 101:79(b), 82A

Exchange differences relating to the translation of the results and net assets of the 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 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000
Balance at the beginning of the year		
Recognition of option premium on issue of convertible notes <i>[Related income tax]</i>		
Balance at the end of the year		

AASB 101:79(b),
82A

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

Source

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

26. Retained earnings

	31/12/20X2 \$'000	31/12/20X1 \$'000
Retained earnings		
	Year ended 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000
Balance at the beginning of the year		
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 [describe]		
Balance at the end of the year		

27. Distributions

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

AASB 101:107

AASB 101:137(a)

On 28 February 20X3, [those charged with governance, e.g. the directors of the Trustee] declared a 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]. 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.

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

AASB 107:40(d)

Assets acquired and liabilities assumed at the date of acquisition

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

AASB 107:40(c)

Net cash outflow on acquisition of businesses

	<u>Year ended</u>	<u>Year ended</u>
	31/12/20X2	31/12/20X1
	\$'000	\$'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 the comparative period, all of the disclosures illustrated would also be required for that prior year disposal.

On 30 May 20X2, the Entity disposed of its *[Disposed business 1]*.

Consideration received

		Year ended 31/12/20X2 \$'000
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

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

Net cash inflow/(outflow) on disposal of business

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

Source

30. Notes to the statement of cash flows

Reconciliation of cash and cash equivalents

AASB 107:45 For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	31/12/20X2	31/12/20X1
	\$'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.

Cash and bank balances includes demand deposits of \$__ million (20X1: CU nil million) that are required to be maintained as warranty and can be used only to settle future claims, if any, on the completed [Project X]. The contractual restriction on the use of demand deposits ends on 1 August 20X3.

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.

	Year ended	Year ended
	31/12/20X2	31/12/20X1
	\$'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

Source

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

	Year ended 31/12/20X2 \$'000	Year ended 31/12/20X1 \$'000
Net loss arising on financial liabilities designated as at fair value through profit or loss		
Net loss arising on financial assets classified as held for trading		
Hedge ineffectiveness on cash flow hedges		
(Gain)/loss transferred from equity on sale of available-for-sale financial assets		
(Gain)/loss transferred from equity on impairment of available-for-sale financial assets		
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]		
Net cash [from/(used in)] operating activities		

Source

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

Reconciliation of liabilities arising from financing activities

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

[illegible]

(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 *[Business 1]* as indicated in note 27
- The Entity acquired \$ ____ of equipment under lease in 20X2 (20X1: \$ ____).

Source

AASB 1060.194
Australian Charities and
Not-for-profits
Commission
Amendment Regulation
2013 (No. 3)

31. Related parties

Note: This note is only applicable for ACNC registered charities.

Remuneration of key management personnel

*Effective from 2021-2022 financial year (2022 AIS reporting period) onwards
– year ending 30 June 2022 or 31 December 2022*

Large charities preparing special purpose financial statements will be required to report KMP remuneration paid unless the charity has only one KMP who is remunerated and does not have KMP services provided by a 'separate management entity'. For charities that are impacted, the June 2022 reporting season will be the first year this new disclosure requirement will be applicable.

The ACNC Commissioner has exercised discretion that allows charities that prepare special purpose financial statements and apply AASB 124 *Related Party Disclosures* (AASB 124) to only disclose the total amount of KMP remuneration (i.e. sub-categories of KMP remuneration disclosures are not mandatory). Charities must as a minimum disclose key management personnel remuneration in total which is in line with disclosure requirements under AASB 1060. Comparatives are also not required for the first year of disclosure in 2022 and charities only need to report one period of KMP in total.

For ACNC-registered charities preparing special purpose financial statements, below is the illustrative disclosures that can be considered in the case when the ACNC-registered charity is required to make key management personnel compensation disclosures in accordance with AASB 124 without the remuneration sub-categories (as allowed by ACNC Commissioner to only disclose the total amount of key management personnel remuneration).

Key management personnel compensation

31/12/20X2

\$'000

Aggregate key management personnel compensation

For ACNC-registered charities preparing special purpose financial statements, below is the illustrative disclosures that can be considered in the case when the ACNC-registered charity is required to make key management personnel compensation disclosures and chooses to voluntarily apply AASB 124 in full in providing full key management personnel compensation disclosures (including the remuneration sub-categories).

Key management personnel compensation

31/12/20X2

\$'000

Short- term employee benefits

Post-employment benefits

Other long-term benefits

Termination benefits

Share-based payments

Aggregate key management personnel compensation

Source

31. Related parties (continued)**Related party transactions in accordance with AASB 1060***Effective from 2022-2023 financial year (2023 AIS reporting period) onwards**– year ending 30 June 2023 or 31 December 2023*

AASB 1060.192

For medium and large ACNC-registered charities preparing special purpose financial statements, below is wording that can be considered in the case when the ACNC-registered charity has decided to make simplified related party transaction disclosures in accordance with AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The Entity is a wholly-owned subsidiary of *[Parent name]*. *[Parent name]* is incorporated in *[F Land]* and is itself wholly-owned by *[Intermediate parent name]*, incorporated in *[G Land]*. Financial statements of *[Intermediate parent company]* are publicly available at *[website or other location]*.

The ultimate controlling entity is *[Ultimate controlling name]*, incorporated in *[H Land]*.

Balances and transactions between the Entity and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its other related parties are disclosed below.

Transactions with related parties

During the year, entities within the Group entered into the following transactions with related parties who are not members of the Group:

AASB 1060.198(a)

	Sale of goods		Purchase of goods	
	31/12/20X2	31/12/20X1	31/12/20X2	31/12/20X1
	\$'000	\$'000	\$'000	\$'000
<i>[Ultimate parent company name]</i>				
Associates				
<i>[Describe nature of each related party relationship]</i>				

At the end of the year, the following balances were outstanding between entities within the Group and related parties who are not members of the Group:

AASB 1060.198(b)

	Amounts owed by related parties		Amounts owed to related parties	
	31/12/20X2	31/12/20X1	31/12/20X2	31/12/20X1
	\$'000	\$'000	\$'000	\$'000
<i>[Ultimate parent company name]</i>				
Associates				
<i>[Describe nature of each related party relationship]</i>				

AASB 1060.199

AASB 1060.198(c)

Less: Allowance for uncollectable amounts		

Source

31. Related parties (continued)**Related party transactions in accordance with AASB 1060 (continued)***Effective from 2022-2023 financial year (2023 AIS reporting period) onwards**– year ending 30 June 2023 or 31 December 2023 (continued)***Transactions with related parties (continued)**

AASB 1060.198

Sales of goods to related parties were made at the Group's usual list prices, less average discounts of ____ %. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

AASB 1060.198(b)

AASB 1060.198(d)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. During the period, an expense of \$ ____ (20X1: \$ ____) for an allowance for doubtful debts in respect of the amounts owed by related parties was recognised. Amounts repayable to X Holdings carry interest of ____ % to ____ % (20X1: ____ % to ____ %) per annum charged on the outstanding loan balances.

Loans to related parties

AASB 1060.198(b)

The following are details of loans to related parties:

		31/12/20X2 \$'000	31/12/20X1 \$'000
AASB 1060.199(a)	Loans to entities with control, joint control or significant influence over the Entity <i>[describe]</i>		
AASB 1060.198(c)	Less: Allowance for uncollectable receivables		
AASB 1060.199(b)	Loans to associates		
AASB 1060.198(c)	Less: Allowance for uncollectable receivables		
AASB 1060.199(c)	Loans to key management personnel		
AASB 1060.198(c)	Less: Allowance for uncollectable receivables		
AASB 1060.199(d)	Loans to other related parties <i>[describe]</i>		
AASB 1060.198(c)	Less: Allowance for uncollectable receivables		

AASB 1060.198

AASB 1060.198(a)

During the period, the Group has provided its associates with short-term loans of \$ ____ (20X1: \$ ____) at rates comparable to the average commercial rate of interest.

AASB 1060.198

[Provide additional information necessary for an understanding of each related party relationship on the financial statements.]

Other related party transactions

AASB 1060.197

AASB 1060.198

The following additional related party transactions occurred during the current and prior periods:

- The provision of office space and office management services (including IT resources) at no cost by *[related party]*

Source

AASB 124:23,
Aus 13.1(a),
AASB 101:138(c)

AASB 124:13

AASB 124:13

AASB 124:18-19

31. Related parties (continued)

Related party transactions in accordance with AASB 124

Effective from 2022-2023 financial year (2023 AIS reporting period) onwards
– year ending 30 June 2023 or 31 December 2023 (continued)

For medium and large ACNC-registered charities preparing special purpose financial statements, below is wording that can be considered in the case when the ACNC-registered charity has decided to make full related party transaction disclosures in accordance with AASB 124 *Related Party Disclosures*.

The immediate parent and ultimate controlling party respectively of the Group are X Holdings Limited (incorporated in *[M Land]*) and Y Holdings Limited (incorporated in *[N Land]*) respectively.

Transactions with related parties

Balances and transactions between the Entity and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates/ joint ventures are disclosed below.

During the year, group entities entered into the following transactions with related parties who are not members of the Group:

	Sale of goods		Purchase of goods	
	31/12/20X2	31/12/20X1	31/12/20X2	31/12/20X1
	\$'000	\$'000	\$'000	\$'000
<i>[Ultimate parent company name]</i>				
Associates				
<i>[Describe nature of each related party relationship]</i>				

At the end of the year, the following balances were outstanding between entities within the Group and related parties who are not members of the Group:

	Amounts owed by related parties		Amounts owed to related parties	
	31/12/20X2	31/12/20X1	31/12/20X2	31/12/20X1
	\$'000	\$'000	\$'000	\$'000
<i>[Ultimate parent company name]</i>				
Associates				
<i>[Describe nature of each related party relationship]</i>				
Less: Allowance for uncollectable amounts				

Source

AASB 124:23

31. Related parties (continued)
Related party transactions in accordance with AASB 124 (continued)
Effective from 2022-2023 financial year (2023 AIS reporting period) onwards
– year ending 30 June 2023 or 31 December 2023 (continued)

Transactions with related parties (continued)

X Holdings is a related party of the Group because [give reasons].

Sales of goods to related parties were made at the Group's usual list prices, less average discounts of __ per cent.

Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Amounts repayable to X Holdings carry interest of __ per cent to __ per cent (2020: __ per cent to __ per cent) per annum charged on the outstanding loan balances (see note xx).

Loans to related parties

The following are details of loans to related parties:

	31/12/20X2	31/12/20X1
	\$'000	\$'000
Loans to entities with control, joint control or significant influence over the Entity [describe]		
Sub A		
Loans to associates		
Associate A		
Loans to joint venture		
JV A limited		
Loans to key management personnel		
KMP A		
Loans to other related parties [describe]		
[Name of related party]		

The Group has provided its associates with short-term loans at rates comparable to the average commercial rate of interest (see note xxx).

[Provide additional information necessary for an understanding of each related party relationship on the financial statements.]

Source

31. Related parties (continued)

Related party transactions in accordance with AASB 124 (continued)

Effective from 2022-2023 financial year (2023 AIS reporting period) onwards

– year ending 30 June 2023 or 31 December 2023 (continued)

Other related party transactions

The following additional related party transactions occurred during the current and prior periods:

- The provision of office space and office management services (including IT resources) at no cost by *[related party]*.

Source

32. Remuneration of auditors

		31/12/20X2	31/12/20X1
		\$	\$
AASB 1054:10, 11	Deloitte and related network firms*		
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 [describe]		
AASB 1054:10, 11	Other auditors and their related network firms		
AASB 1054:10(a)	Audit or review of financial reports:		
	- Joint operations		
	- Other [describe]		
	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 #		
	- Other [describe]		

*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

32. 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). 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.



This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organisation") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organisation"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the "Deloitte organisation") serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 312,000 people make an impact that matters at www.deloitte.com.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

The Australian partnership of Deloitte Touche Tohmatsu is a member of Deloitte Asia Pacific Limited and the Deloitte organisation. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, risk advisory, and financial advisory services through approximately 8000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at <https://www2.deloitte.com/au/en.html>.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

© 2022 Deloitte Touche Tohmatsu.