

VALUE ACCOUNTS

Simplified Disclosure

Annual financial reporting

2021



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This publication presents the sample annual financial report of a fictitious company, VALUE ACCOUNTS Simplified Disclosure Pty Ltd. It illustrates the financial reporting requirements that would apply to such a company under Australian Accounting Standards on issue at 30 June 2021. Supporting commentary is also provided. For the purposes of this publication, VALUE ACCOUNTS Simplified Disclosure Pty Ltd is a for-profit large proprietary company that is the parent entity in a consolidated entity.

Reporting requirements are:

- Australian Accounting Standards, including AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- Interpretations issued by the Australian Accounting Standards Board (AASB) and the Urgent Issues Group (UIG)
- *Corporations Act 2001*
- Australian Securities & Investments Commission releases

Value Accounts Simplified Disclosure 2021 is for illustrative purposes only and should be used in conjunction with the relevant legislation, standards and other reporting pronouncements.

Disclaimer

This publication has been prepared for general reference only and does not constitute professional advice. It is not intended to be and is not comprehensive in relation to its subject matter. This publication is not intended to cover all aspects of Australian Accounting Standards, or to be used as a substitute for reading any relevant accounting standard, professional pronouncement or guidance, legislation (including the *Corporations Act 2001* (Cth)) or any other relevant material. Specific company structure, facts and circumstances will have a material impact on the preparation and content of financial reports. No person should undertake or refrain from undertaking any action based on this publication or otherwise rely on this publication. Any use or reliance on this publication is at a person's own risk. This publication should not be used as a substitute for consultation with a professional adviser with knowledge of information relevant to your particular circumstances. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication. To the extent permitted by law, PwC and its partners, members, employees and agents do not accept or assume any liability, responsibility or duty of care to anyone for any use of or reliance on this publication. Any references in this publication to PwC providing, or agreeing to provide, any services to any entity are illustrative only and are not intended to reflect or summarise the terms of actual arrangements in respect of any particular parties or the provision of services to them. Accordingly, users of this publication should not rely on such references as reflecting or summarising actual terms. Legal advice should be obtained as to whether any particular arrangements are required to be disclosed, and as to the form and context of any disclosure. This disclaimer applies to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute. Liability is limited by a scheme approved under Professional Standards Legislation.

Foreword

Welcome to the second edition of our VALUE ACCOUNTS Simplified Disclosure publication. This publication shows the disclosures required for companies that are intending to adopt the new disclosure standard AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* for their 30 June 2021 or later financial reports.

The new standard was released alongside amendments to Australian Accounting Standards that remove the ability of certain for-profit private sector entities to prepare special purpose financial statements (SPFS) for periods beginning on or after 1 July 2021. Further information about the removal can be found in our [Straight Away Alert](#) from March 2020.

The new disclosure standard better aligns the Tier 2 disclosure requirements to the international benchmark of IFRS for small and medium-sized enterprises (SMEs) and replaces the current Tier 2 reduced disclosure regime (RDR). AASB 1060 is a separate, stand-alone standard that lists all of the relevant disclosure requirements for entities eligible to report under Tier 2 (unlike the previous RDR framework which used shading to show which disclosures could be omitted from the other accounting standards).

We have provided a comparison of the disclosure requirements of the new standard with the previous reduced disclosure regime (RDR) and the mandatory requirements for SPFS in [Appendix B](#). The Appendix shows that there have been significant reductions in disclosures compared to the current RDR framework, but that there are also some new disclosures that were not previously required. The Appendix will help entities that have previously prepared SPFS to identify the areas where they will need to increase their disclosures and begin collecting relevant information.

Consistent with the new approach of having a separate, stand-alone disclosure standard, this publication is no longer reproducing all of the disclosures from our VALUE ACCOUNTS Holdings publication. We have rewritten it to reflect simpler operations and to remove disclosures that are not relevant to unlisted companies. We've also illustrated disclosures that may only be relevant for some Tier 2 entities ([Appendix A](#)).

Changes made

We have updated the publication in 2021 to reflect changes made to AASB 1060 since last year and added illustrative disclosures for an equity-settled share-based payment plan.

COVID-19

While COVID-19 may still have a significant impact on many entities and require specific disclosures in June 2021 financial statements, these will vary from entity to entity and will – hopefully – not be an ongoing feature of financial statements. We have therefore not included any illustrative disclosures in this publication. Instead, we encourage you to refer to [our designated COVID-19 website](#) which is regularly updated and includes industry-specific guidance.

Feedback

We welcome your feedback on the new VALUE ACCOUNTS Simplified Disclosure publication. Please contact us at [IFRS Communications](#) or speak to your usual PwC representative to let us know your thoughts.

Margot Le Bars
Partner
PwC Australia

Jason Perry
Partner Private Clients
PwC Australia

Darren Jenns
Partner Private Clients
PwC Australia

July 2021

VALUE ACCOUNTS Simplified Disclosure Pty Ltd

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Introduction

Similar to the other publications in our VALUE ACCOUNTS series, this publication presents illustrative **simplified disclosure** financial statements of a fictitious company, VALUE ACCOUNTS Simplified Disclosure Pty Ltd. The financial report complies with the Australian *Corporations Act 2001* and authoritative pronouncements on issue at 31 June 2021 that are operative for 30 June 2021 reports.

VALUE ACCOUNTS Simplified Disclosure Pty Ltd is a for-profit large foreign controlled proprietary company that is the parent entity in a consolidated group which has adopted the new simplified disclosure standard AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. Consequently, this publication does not illustrate the disclosure obligations of disclosing entities or listed companies (e.g. segment information and earnings per share disclosures). Please refer to our **VALUE ACCOUNTS Holdings publication** for examples of these types of disclosures.

Please note that the amounts disclosed in this publication are purely for illustrative purposes and may not necessarily be consistent throughout the publication. Entities will need to adapt the illustrative disclosures to their circumstances. Entities may adopt alternative disclosures, wording and forms of presentation as long as the specific disclosure requirements prescribed in the accounting and reporting pronouncements are met.

The source for each disclosure requirement is provided in the reference column on each page of the sample reports.

Assumptions made

In preparing these illustrative financial statements, we have assumed that VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

- is a large proprietary company that is owned by a foreign parent entity
- is a for-profit entity
- is a parent entity in a group of wholly-owned entities (i.e. without minority interests)
- is the head entity in a tax consolidated group
- does not have any
 - foreign subsidiaries or other foreign operations
 - interests in joint ventures
 - revalued property, plant and equipment
 - financial assets classified at fair value through other comprehensive income
 - defined employee benefit plans, or
 - deed of cross guarantee with wholly-owned subsidiaries
- has cash-settled rather than equity-settled share-based payments, and
- has previously prepared consolidated Tier 2 general purpose financial statements (GPFS).

We have further assumed that VALUE ACCOUNTS Simplified Disclosure Pty Ltd had adopted AASB 16 *Leases* in a previous period and have therefore not illustrated the transitional disclosures that would be required in the first year of adoption of the standard. If an entity has adopted the leasing standard in the current year by using the simplified transitional approach, it will have to make the same disclosures as a Tier 1 entity. This is illustrated in our **VALUE ACCOUNTS Holdings 2019** publication (see note 26).

Appendix A provides disclosures for some of the scenarios noted above that are not illustrated in the main body of the publication, including a transition from separate entity special purpose financial statements (SPFS) to consolidated GPFS. **Appendix B** compares the disclosure differences between GPFS prepared under the new AASB 1060, GPFS prepared under the current RDR framework and SPFS of non-reporting entities that are required to prepare financial reports under Chapter 2M of the *Corporations Act 2001*. Abbreviations used in this publication are listed in **Appendix C**.

Early adoption of standards

Other than AASB 1060, VALUE ACCOUNTS Simplified Disclosure Pty Ltd generally only adopts standards early if they clarify existing practice but do not introduce any substantive changes. These include standards issued by the AASB as a result of the International Accounting Standards Board's improvements programme.

Specialised companies and industry-specific requirements

VALUE ACCOUNTS Simplified Disclosure Pty Ltd does not illustrate the disclosures specifically relevant to specialised industries such as mining, agriculture, investment funds or finance. Some of these are illustrated in our other publications in the VALUE ACCOUNTS series:

- [VALUE ACCOUNTS Holdings Limited](#) (with disclosures for oil and gas, and agricultural activities in the Appendices)
- [VALUE ACCOUNTS Investment Funds](#), and
- [VALUE ACCOUNTS Superannuation Funds](#).

The global series of Illustrative financial statements that is available on [PwC Viewpoint](#) has further illustrative financial statements for banks, entities in the investment property industry and private equity companies.

The disclosure requirements included in VALUE ACCOUNTS Simplified Disclosure Pty Ltd are relevant to for-profit corporate and non-corporate entities in the private sector that are required to prepare financial statements in accordance with Australian Accounting Standards and do not have public accountability (i.e. do not have to report under Tier 1 of the differential reporting framework). The disclosures are also useful for business undertakings in the public sector, but do not identify additional disclosures that may be required for not-for-profit private and public sector entities under AASB 1060.

VALUE ACCOUNTS Simplified Disclosure Pty Ltd

ABN XY XYZ XYZ XYZ ^{1,2}

Annual report – 30 June 2021

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Annual report

Quotation of Australian Business Number or Australian Company Number

1. Under the *Corporations Act 2001*, a company is required to show its name and Australian Company Number (ACN) or its Australian Business Number (ABN) on all public documents. It may only show the ABN if the last nine digits of its ABN are identical to the last nine digits of its ACN.
2. Guidance on issues relating to the use of ACNs is set out in ASIC Regulatory Guide 13.

CA153(1),(2)

ASIC-RG13

Directors' report ^{1,12}

CA299(2)(b)

Your directors present their report on the consolidated entity consisting of VALUE ACCOUNTS Simplified Disclosure Pty Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2021. Throughout the report, the consolidated entity is referred to as the group.

Directors

CA300(1)(c)

The following persons were directors of VALUE ACCOUNTS Simplified Disclosure Pty Ltd during the whole of the financial year and up to the date of this report:

J C Campbell

A L Cunningham

M K Hollingworth

R J Hunter

C A Maxwell

N T Toddington

CA300(1)(c)

H G Wells and B C Bristol were appointed as directors on 31 January 2021 and 1 March 2021 respectively and continue in office at the date of this report.

CA300(1)(c)

R T Brown was a director from the beginning of the financial year until his resignation on 31 January 2021.

CA300(1)(c)

B A Wilson was a director from the beginning of the financial year until his resignation on 29 July 2021.

Principal activities

CA299(1)(c)

During the year the principal continuing activities of the group consisted of:

- (a) IT consulting including IT management, design, implementation and support,
- (b) manufacture and distribute computers, computer hardware and peripheral equipment, and
- (c) manufacture and distribute smartphones and tablets.

In addition, the group and holds a number of investment properties.

CA299(1)(c)

The following activities of the group changed significantly during the year:

- (a) The group acquired VALUE Electronics Pty Ltd which is involved in the manufacturing and distribution of peripheral equipment.
- (b) VALUE Equipment Hire Pty Ltd was sold in August 2020, ending the group's involvement in this industry.

Dividends – VALUE ACCOUNTS Simplified Disclosure Pty Ltd ¹²

CA300(1)(a)

During the year VALUE ACCOUNTS Simplified Disclosure Pty Ltd paid dividends of \$25,940,000 to its parent entity (2020 – \$12,865,000). ²

Review of operations ³

CA299(1)(a)

[Provide details as appropriate.]

Significant changes in the state of affairs

CA299(1)(b)

Significant changes in the state of affairs of the group during the financial year were as follows.

Contributed equity increased by \$25,086,000 (from \$62,619,000 to \$87,705,000) as the result of the rights issue and the issue of shares to acquire shares in VALUE Electronics Pty Ltd (see [note 10](#)). Details of the changes in contributed equity are disclosed in [note 8\(a\)](#) to the financial statements.

The sale of VALUE Equipment Hire Pty Ltd that was initiated in April 2020 was completed on 31 August 2020. For details of the sale see [note 11](#). In addition, VALUE Manufacturing Pty Ltd closed its Nicetown factory and transferred the manufacturing of all smartphones and tablets to the Maitland factory. Ongoing economic advantages are expected to flow from this rationalisation. A parcel of land that has become vacant as a result of the move is currently in the process of being sold ([see note 7\(g\)](#)).

Events since the end of the financial year

CA299(1)(d)

Since 30 June 2021 VALUE ACCOUNTS Simplified Disclosure Pty Ltd has acquired 87.5% of the issued shares in Better Manufacturing Limited, a manufacturer of office furniture and equipment, for cash consideration of \$11,750,000 and contingent consideration of \$280,000. The group also renegotiated its existing loan facility to finance the construction of the new production plant for the electronic equipment division. **Note 15** provides further information about both of these transactions.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations ⁴

CA299(1)(e)

Likely developments in the operations of the group that were not finalised at the date of this report included:

- (a) the proposed formation of a company to be equally owned by VALUE ACCOUNTS Simplified Disclosure Pty Ltd and Bold Eagle Enterprises Inc. of the USA. This company will be called Bold VALUE ACCOUNTS Pty Ltd and will utilise the skills of Bold Eagle in network management to expand the group's involvement in IT consulting activities, and
- (b) the proposed acquisition of the 25% of the issued share capital of eVALUE ACCOUNTS Buy Pty Ltd. If successfully completed, this acquisition should diversify the sales channel of the group in future years.

More information on these developments is included in the review of operations and activities on pages [x] – [y].

Environmental regulation

CA299(1)(f)

The group is subject to significant environmental regulation in respect of its activities and has put in place processes to ensure compliance with these regulations. Each affected site must report quarterly on their environmental performance to an environmental committee that is in turn reporting to the board.

The group holds environmental licences for its manufacturing sites in New South Wales and Queensland under various local regulations. The licences require discharges to air and water to be below specified levels of contaminants, and solid wastes to be removed to an appropriate disposal facility.

During the year there were inadvertent breaches of the requirements relating to discharges to water at the Maitland site, resulting in the issue of minor infringement notices. Management has been working with the New South Wales Office of Environment & Heritage to alter the processes at the site to minimise discharges and ensure compliance with the regulatory requirements. It is anticipated the issue will be resolved during the current financial year.

During the year the Queensland manufacturing facility was closed. As part of the closure process environmental clean-up responsibilities were examined and tests carried out showed no evidence of any contamination.

Greenhouse gas and energy data reporting requirements

The *National Greenhouse and Energy Reporting Act 2007* requires the group to report its annual greenhouse gas emissions and energy use. The group has implemented systems and processes for the collection and calculation of the data required and submitted its 2019/20 report to the Greenhouse and Energy Data Officer on 24 October 2020.

Insurance of officers ⁵⁻⁷

CA300(1)(g),(8)(b),
(9)(a),(f)

During the financial year, VALUE ACCOUNTS Simplified Disclosure Pty Ltd paid a premium of \$65,465 to insure the directors and secretaries of the company and its controlled entities, and the general managers of each of the divisions of the group.

CA300(9)(c)

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnity of auditors ⁵⁻⁷

CA300(1)(g),(8)(b),
(9)(a),(f)

VALUE ACCOUNTS Simplified Disclosure Pty Ltd has agreed to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from VALUE ACCOUNTS Simplified Disclosure Pty Ltd's breach of their agreement. The indemnity stipulates that VALUE ACCOUNTS Simplified Disclosure Pty Ltd will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Proceedings on behalf of the company ⁸

CA300(14)
**Not mandatory if
no proceedings**

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

CA300(15)

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration ⁹

CA298(1AA)(c)
ASIC2016/188

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on [page 9](#).

Rounding of amounts ¹⁰

ASIC2016/191

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

CA298(2)(a)

This report is made in accordance with a resolution of directors. ¹¹

CA298(2)(c)

M K Hollingworth
Director

CA298(2)(b)
**Disclosure of location not
mandatory**

Sydney
22 August 2021



CA298(1AA)(c)
CA307C

Auditor's Independence Declaration

As lead auditor for the audit of VALUE ACCOUNTS Simplified Disclosure Pty Ltd for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of VALUE ACCOUNTS Simplified Disclosure Pty Ltd and the entities it controlled during the period.

A B Jones
Partner
PricewaterhouseCoopers

Sydney
22 August 2021

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Directors' report

Contents of directors' reports

CA299(2)

- Detailed commentary on the content of the directors' report, including a table summarising the content by classes of entities can be found in our *VALUE ACCOUNTS Holdings Limited - Annual Financial Reporting 2020* publication. The entity to be reported on is:
 - the company, registered scheme or disclosing entity (if consolidated financial statements are not required), or
 - the consolidated entity (if consolidated financial statements are required).

Comparative figures

CR2M.3.03(2)

- Comparative figures are not mandatory for directors' reports, but are recommended in the interests of more meaningful disclosure.

Review of operations, financial position, business strategies and prospects

CA299(1)(a)
ASIC2016/188

- CA 299(1)(a) requires all entities to present a review of the operations of the entity reported on and the results of those operations. We have not illustrated such disclosures as they should reflect the entity's individual circumstances and the business environment in which it operates and therefore be very entity-specific. *ASIC Corporations (Directors' Report Relief) Instrument 2016/188* permits presenting the review of operations as a separate section in the annual report, provided the directors' report refers to this section.

Likely developments and expected results of operations – unreasonable prejudice exemption

CA299(3)

- The report may omit material on likely developments and expected results of operations if it is likely that its disclosure would result in unreasonable prejudice to the company, the consolidated entity or any entity that is part of the consolidated entity. ASIC Regulatory Guide 247 *Effective disclosure in an operating and financial review* sets out ASIC's view on when the exemption can be applied. According to the guide, an entity should
 - identify the adverse consequences that are likely to occur
 - consider whether these consequences are reasonable, and
 - assess whether it is likely (more probable than not) that they will occur.

It will be difficult to demonstrate unreasonable prejudice if the relevant information has already been disclosed elsewhere, or can be inferred from information that is in the public domain. Where information has been omitted in reliance on the exemption, the entity must disclose this fact and should also provide a short, high level summary of the type of information that has been omitted and the reasons for the omission. ASIC further recommends that entities document their assessment in their working papers if they have relied on the exemption.

Indemnities and insurance premiums for officers and auditors

CA300(8)

- The directors' report must disclose information about any
 - indemnity given to a current or former officer or auditor, and
 - premium paid, or agreed to be paid, for insurance against a current or former officer's or auditor's liability for legal cost

to the extent the indemnities or insurance arrangements are not prohibited under CA 199A and CA 199B of the *Corporations Act*.
- We note that many companies are now agreeing to indemnify their auditor to the extent permitted under sub-sections 199A(2) and (3) of the *Corporations Act 2001*. Please note that the disclosure on page 8 is purely illustrative and is not intended to reflect or summarise the terms of actual arrangements in respect of the provision of services. Accordingly, users of this publication should obtain legal advice as to whether their particular arrangement will require disclosure, and as to the form of any such disclosure.
- See Appendix A(p) in our *VALUE ACCOUNTS Holdings Limited - Annual Financial Reporting 2020* publication for detailed commentary on the requirements for the disclosure of information on indemnities and/or insurance premiums for officers and auditors. The commentary includes illustrative wording for indemnities and indemnification agreements.

Directors' report

Proceedings on behalf of the company

CA300(14),(15)

8. If no applications for leave have been made and/or no proceedings have been brought or intervened in on behalf of the company with leave, PwC's view is that it is not necessary to include a reference to these matters in the directors' report. If the directors wish to make a comment, the wording used in the illustrative report may be used as a guide.

Auditor's independence declaration

CA307C

9. Under CA 307C(5), the auditor is required to give the declaration to the directors with the auditor's report. This would mean the auditor's report would need to be signed before the directors' report. However, auditing standards require the auditor to comment in the auditor's report on any material inconsistencies between the directors' report and the financial report, and to consider the impact of any material misstatements of fact in the directors' report. This makes it difficult for the auditor to sign the audit report before the directors' report is signed. As a result, CA 307C(5A) provides that the declaration may be given to the directors before they pass their resolution in relation to the directors' report and before the audit report is signed, provided that:
- (a) the declaration is given to the directors before the directors resolve to make the directors' report
 - (b) the directors' report is signed within 7 days after the declaration is given
 - (c) the auditor's report is made within 7 days after the directors' report is signed and includes a statement that:
 - (i) either the declaration would be in the same terms if it was given to the directors at the time the auditor's report is made, or
 - (ii) circumstances have changed since the declaration was given to the directors and setting out how the declaration would differ if it was given to the directors at the time the auditor's report is made.

Rounding of amounts

ASIC2016/191

10. See Appendix A(o) in our *VALUE ACCOUNTS Holdings Limited - Annual Financial Reporting 2020* publication for commentary on the rounding of amounts in the directors' report and financial report.

Dating and signing of report

CA298(2)

11. The directors' report must be made in accordance with a resolution of the directors, specify the date on which it was made and be signed by a director.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

12. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

Item	Nature of disclosure
CA300(1)(b) The directors have recommended or declared dividends, but not paid during the year	Disclose the amount recommended but not paid.
CA298(1A) The financial report includes additional information to give a true and fair view of the financial position and performance	Disclose the reasons for forming the view that the additional information is necessary for a true and fair view and specify where the information can be found.
CA300(1)(ca) Officers who are former auditors	Disclose the name of each officer who was a partner in an audit firm that is the auditor of the entity for the current year and who was a partner or director in the firm at the time the firm undertook an audit of the entity.

Directors' report

CA300(1)(d)-(f),(3),(5)-(7)

Item

Options granted over unissued shares

Nature of disclosure

Disclose details of:

- unissued shares or interests under option at the date of the report
- shares or interests issued as a result of the exercise of an option, and
- options granted over unissued shares or interests to directors and the 5 most highly remunerated officers.

CA300(14)

Applications for leave under CA237 to bring in, or intervene in, proceedings on behalf of the company

Disclose the applicant's name and whether leave was granted.

CA300(15)

Proceedings brought, or intervened in, on behalf of the company with leave under CA 237

Disclose the name of the person and of the parties to the proceedings, and sufficient information to enable members to understand the nature and status of the proceedings.

CA300(10)(a)-(d)

Additional disclosures required for non-listed public companies

Disclose qualifications, experience and special responsibilities of directors and company secretaries.

Disclose directors' attendance at meetings.

VALUE ACCOUNTS Simplified Disclosure Pty Ltd

ABN XY XYZ XYZ XYZ

Annual financial report – 30 June 2021 ¹¹

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AASB1060(31)(b),(d),
(104)(a) These financial statements are consolidated financial statements for the group consisting of VALUE ACCOUNTS Simplified Disclosure Pty Ltd and its subsidiaries. A list of major subsidiaries is included in **note 12**.

AASB1060(181)
AASB1060(32)(a) The financial statements are presented in Australian dollars.

VALUE ACCOUNTS Simplified Disclosure Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

VALUE ACCOUNTS Simplified Disclosure Pty Ltd
350 Harbour Street
Sydney NSW 2000.

AASB1060(32)(b) A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages [x] to [y], both of which are not part of these financial statements.

AASB1060(186) The financial statements were authorised for issue by the directors on 22 August 2021. The directors have the power to amend and reissue the financial statements.

CA295(1)(a),(2)
AASB1060(25)(b)(ii)

Consolidated statement of profit or loss and other comprehensive income ^{1-4,9,14,23,24,46}

AASB1060(49)(b),(54)

	Notes	2021 \$'000	2020 ⁵⁻⁸ \$'000
AASB1060(52)(a)	Continuing operations		
	Revenue from contracts with customers ¹⁵	197,659	161,604
	Other income	12,609	12,938
	Other gains/losses	4,101	(138)
AASB1060(58)(a)	Changes in inventories of finished goods and work in progress ²²	6,681	5,255
	Raw materials and consumables used	(62,218)	(54,108)
AASB1060(172)	Employee benefits expenses	(53,444)	(50,042)
	Depreciation and amortisation	(12,540)	(10,080)
	Transportation expense	(8,584)	(6,236)
	Advertising costs	(14,265)	(6,662)
AASB1060(139)	Research and development	(1,075)	(955)
	Other expenses	(8,376)	(3,012)
	Operating profit	60,548	48,564
AASB1060(52)(b)	Finance costs	(6,649)	(6,735)
AASB1060(52)(c)	Share of net profit of associates accounted for using the equity method	340	355
	Profit before income tax	54,239	42,184
AASB1060(52)(d)	Income tax expense	(16,325)	(12,740)
	Profit from continuing operations	37,914	29,444
AASB1060(52)(e)(i)	Profit from discontinued operation ¹⁶⁻¹⁸	897	399
AASB1060(52)(f),(53)(a)	Profit for the period	38,811	29,843
	Other comprehensive income ¹⁹⁻²¹		
AASB1060(52)(g)(ii)	<i>Items that may be reclassified to profit or loss</i>		
AASB1060(122)(c)	Gains on cash flow hedges	(460)	(7)
AASB1060(122)(d)	Hedging gains reclassified to profit or loss	(155)	(195)
AASB1060(178)(a)	Income tax relating to these items	184	60
AASB101(81A)(b)	Other comprehensive income for the period, net of tax	(431)	(142)
AASB1060(52)(i),(53)(b)	Total comprehensive income for the period	38,380	29,701
	Total comprehensive income for the period arises from:		
	Continuing operations	37,483	29,302
AASB1060(52)(e)(i)	Discontinued operations	897	399
		38,380	29,701

Not mandatory

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. ¹²

CA295(1)(a),(2)
AASB1060(25)(a)
AASB1060(36),(37)

Consolidated balance sheet 1-4,9,25-29,46

	Notes	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
AASB1060(38)			
AASB1060(35)(a)	6(a)	44,925	37,786
AASB1060(35)(b)	6(b)	15,662	8,220
AASB1060(44)(b),(159)	3(b)	1,831	3,081
AASB1060(35)(d)	7(f)	22,153	19,672
AASB1060(35)(c)	6(c)	12,400	11,757
AASB1060(35)(c)	6(d)	145	97
AASB1060(44)		491	428
		97,607	81,041
AASB1060(35)(r)	7(g),11	250	4,955
Total current assets		97,857	85,996
Non-current assets			
AASB1060(39)			
AASB1060(35)(i)	12(c)	3,340	3,160
AASB1060(35)(c)	6(d)	308	712
AASB1060(35)(c),(113)(b)	6(c)	5,886	3,609
AASB1060(35)(e)	7(a)	111,207	91,640
	7(b)	9,756	9,508
AASB1060(35)(f)	7(c)	13,300	10,050
AASB1060(35)(g)	7(d)	24,550	20,945
Total non-current assets		168,347	139,624
Total assets		266,204	225,620
LIABILITIES			
Current liabilities			
AASB1060(40)			
AASB1060(35)(k)	6(e)	15,760	11,723
AASB1060(44)(d),(159)	3(b)	1,982	1,525
AASB1060(35)(l),(113)(d)	6(f)	8,400	7,995
	7(b)	3,008	2,777
AASB1060(35)(l),(113)(c)	6(d)	766	777
AASB1060(35)(m)		1,212	1,108
AASB1060(44)(e)	7(h)	690	470
AASB1060(35)(o),(44)(e)	7(i)	2,697	1,240
		34,515	27,615
AASB1060(35)(s)	7(g),11	-	500
Total current liabilities		34,515	28,115

		Notes	2021 \$'000	2020 \$'000
AASB1060(41)	Non-current liabilities			
AASB1060(35)(l),(113)(d)	Borrowings	6(f)	72,300	76,600
	Lease liabilities ³⁰	7(b)	8,493	8,514
AASB1060(35)(n)	Deferred tax liabilities	7(e)	1,300	786
AASB1060(44)(e)	Employee benefit obligations ³⁰	7(h)	2,358	2,270
AASB1060(35)(o),(44)(e)	Provisions	7(i)	1,573	1,382
	Total non-current liabilities		86,024	89,552
	Total liabilities		120,539	117,667
	Net assets		145,665	107,953
	EQUITY			
AASB1060(35)(q)	Share capital	8(a)	87,705	62,619
AASB1060(44)(f)	Hedging reserve	8(b)	(224)	21
	Retained earnings		58,184	45,313
AASB1060(35)(q)	Total equity		145,665	107,953

Not mandatory

The above consolidated balance sheet should be read in conjunction with the accompanying notes. ¹²

AASB101(10)(c),(106)

CA295(1)(a),(2)(b)
AASB1060(25)(c),(60)Consolidated statement of changes in equity ^{1-4,9,32-33,46}

	Notes	Share capital \$'000	Hedging reserve \$'000	Retained earnings \$'000	Total \$'000
AASB1060(61)(c)	Balance at 1 July 2019 ⁵⁻⁸	62,619	(312)	28,335	90,642
AASB1060(61)(c)(i)	Profit for the period	-	-	29,843	29,843
AASB1060(61)(c)(ii)	Other comprehensive income for the period	-	(142)	-	(142)
AASB1060(61)(a)	Total comprehensive income for the period	-	(142)	29,843	29,701
	Costs of hedging transferred to the carrying value of inventory purchased during the year	-	475	-	475
AASB1060(61)(c)(iii)	Transactions with owners in their capacity as owners:				
	Dividends provided for or paid	8(c) -	-	(12,865)	(12,865)
		-	-	(12,865)	(12,865)
AASB1060(61)(c)	Balance at 30 June 2020	62,619	21	45,313	107,953
AASB1060(61)(c)(i)	Profit for the period	-	-	38,811	38,811
AASB1060(61)(c)(ii)	Other comprehensive income	-	(431)	-	(431)
AASB1060(61)(a)	Total comprehensive income for the period	-	(431)	38,811	38,380
	Costs of hedging transferred to the carrying value of inventory purchased during the year		186	-	186
AASB1060(61)(c)(iii)	Transactions with owners in their capacity as owners:				
	Contributions of equity, net of transaction costs and tax	8(a) 10,305	-	-	10,305
	Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	8(a),10 14,781	-	-	14,781
	Dividends provided for or paid	8(c) -	-	(25,940)	(25,940)
		25,086	-	(25,940)	(854)
AASB1060(61)(c)	Balance at 30 June 2021	87,705	(224)	58,184	145,665
Not mandatory	The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes. ¹²				

Consolidated statement of cash flows ^{1-4,9,34,35,38,40,43-46}

	Notes	2021 \$'000	2020 \$'000
AASB1060(67),(70)(b),(73)	Cash flows from operating activities		
AASB1060(67)(a)	Receipts from customers (inclusive of GST) ^{41,42}	197,050	184,672
AASB1060(67)(c),(d)	Payments to suppliers and employees (inclusive of GST) ^{41,42}	(138,722)	(143,877)
		58,328	40,795
AASB1060(67)(f)	Payments for financial assets at fair value through profit or loss (held for trading purposes)	6(c) (135)	(1,235)
AASB1060(67)(f)	Proceeds from disposal of financial assets at fair value through profit or loss	600	-
	Insurance recovery relating to fire	1 300	-
	Transaction costs relating to acquisition of subsidiary	10 (750)	-
AASB1060(67)(b)	Other revenue	7,490	7,484
AASB1060(67)(f),(83)	Interest paid	(6,368)	(4,507)
AASB1060(67)(e),(85)	Income taxes paid ³⁷	(16,411)	(12,061)
	Net cash inflow from operating activities	43,054	30,476
AASB1060(68),(74)	Cash flows from investing activities		
AASB1060(68)(c),(74)	Payment for acquisition of subsidiary, net of cash acquired	10 (3,940)	-
AASB1060(68)(a)	Payments for property, plant and equipment	7(a) (24,587)	(14,409)
AASB1060(68)(a)	Payments for investment property	7(c) (1,900)	-
AASB1060(68)(c)	Payments for financial assets at fair value through profit or loss (not held for trading purposes)	6(c) -	(910)
AASB1060(68)(c)	Payments for other financial assets	-	(1,265)
AASB1060(68)(a)	Payment of software development costs	(735)	(765)
AASB1060(68)(e)	Loans to related parties	(1,180)	(730)
AASB1060(68)(b),(74)	Proceeds from sale of subsidiary	11 3,110	-
AASB1060(68)(b)	Proceeds from sale of property, plant and equipment	9,585	639
AASB1060(68)(f)	Repayment of loans by related parties	469	626
AASB1060(82),(83)	Distributions received from associates	12(c) 160	220
AASB1060(82),(83)	Dividends received ³⁶	3,300	4,300
AASB1060(82),(83)	Interest received ³⁶	1,399	1,019
	Net cash (outflow) from investing activities	(14,319)	(11,275)
AASB1060(69),(74)	Cash flows from financing activities		
AASB1060(69)(a)	Proceeds from issues of shares and other equity securities	8(a) 10,413	-
AASB1060(69)(c)	Proceeds from borrowings	6(f) 25,553	24,746
	Share issue transaction costs	8(a) (200)	-
AASB1060(69)(d)	Repayment of borrowings	6(f) (29,879)	(22,835)
AASB1060(69)(e)	Principal elements of lease payments ³⁹	7(b) (1,942)	(1,338)
AASB1060(84)	Dividends paid to company's shareholders	8(c) (25,941)	(12,865)
	Net cash inflow (outflow) from financing activities	(21,996)	(12,292)
	Net increase (decrease) in cash and cash equivalents	6,739	6,909
	Cash and cash equivalents at the beginning of the financial year	35,536	28,627
	Cash and cash equivalents at end of year	6(a) 42,275	35,536
AASB1060(86)	Non-cash financing and investing activities	9(a)	

Not mandatory

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. ¹²

Financial statements

Presentation in the primary financial statements

AASB1060(BC54)

1. While AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* is a disclosure standard, it includes the presentation requirements of standards that have been replaced in their entirety by AASB 1060, being:

- (a) AASB 7 *Financial Instruments: Disclosures*
- (b) AASB 12 *Disclosure of Interests in Other Entities*
- (c) AASB 101 *Presentation of Financial Statements*
- (d) AASB 107 *Statement of Cash Flows*, and
- (e) AASB 124 *Related Party Disclosures*.

AASB1060(IG1)

2. However, entities will need to refer to other standards that have not been replaced in their entirety to ensure compliance with specific presentation requirements, including AASB 5 *Non-current Assets Held-for-Sale and Discontinued Operations*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. A full list of the presentation requirements that continue to apply is provided in the implementation guidance to AASB 1060 (IG1).

AASB1060(BC55)

3. As a general rule, the presentation requirements in AASB 1060 are consistent with those in full Australian Accounting Standards (AAS), even if not all of the guidance from the full standards is included in AASB 1060. Therefore, there should not be any substantial presentation differences between the two disclosure frameworks, except for the following:

AASB1060(52)(h)

- (a) AASB 1060 permits the separate presentation of the share of other comprehensive income of associates and joint ventures as a single item and does not require separate presentation of the share of items that may be reclassified, and those that will not be reclassified to profit or loss.

AASB1060(26)

- (b) AASB 1060 allows entities not to include a statement of changes in equity under certain circumstances, see paragraph 31 below.

Titles of financial statements not mandatory

AASB1060(30)

4. The titles of the individual financial statements are not mandatory and an entity can, for example continue to refer to the statement of financial position as 'balance sheet' and to the statement of profit or loss as 'income statement'.

Comparative information

AASB1060(20)

5. Except where an Australian Accounting Standard permits or requires otherwise, comparative information shall be disclosed in respect of the preceding period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information where it is relevant to an understanding of the current period's financial statements.

No financial statements prepared in the previous year

AASB1060(20)

6. Comparative information must be provided even if the entity did not prepare financial statements under the *Corporations Act 2001* in the previous financial year, e.g. where a small proprietary company became large or foreign controlled during the reporting period.
7. In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, details of a legal dispute, the outcome of which was uncertain at the end of the immediately preceding reporting period and that is yet to be resolved, are disclosed in the current period. Users benefit from information that the uncertainty existed at the end of the immediately preceding reporting period, and about the steps that have been taken during the period to resolve the uncertainty.

Financial statements

Relief for first-time preparation of general purpose financial statements (GPFS)

AASB1053(E4)

AASB 2021-1 – AASB 1060(B1)

8. For-profit private sector entities that are applying AASB 1060 for the first time for a financial reporting period beginning before 1 July 2021 and that have previously prepared special purpose financial statements (SFPS) or GPFS under the reduced disclosure regime do not need to present comparative information in the notes of the financial statements if they did not previously disclose this information in their financial statements. See [Appendix A](#) for further information about relief available for entities transitioning from SPFS to GPFS and disclosures required where an entity has not previously prepared consolidated financial statements. The Appendix also explains the limited disclosure relief that has been provided to not-for-profit entities transitioning from RDR or Tier 1 to AASB 1060.

Consistency

AASB1060(17)

9. The presentation and classification of items in the financial statements must be retained from one period to the next unless:
- (a) it is apparent that another presentation or classification would be more appropriate based on the criteria for the selection and application of accounting policies in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (e.g. following a significant change in the nature of the entity's operations or a review of its financial statements), or
 - (b) an Australian Accounting Standard requires a change in presentation.

Materiality

AASB1060(21)-(23)

10. Entities must present separately:

- (a) each material class of similar items, and
- (b) items of dissimilar nature or function unless they are dissimilar.

AASB1060(Appendix A)

11. Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. In particular circumstances either the nature or the amount of an item or an aggregate of items could be the determining factor

Primary financial statements should be read in conjunction with accompanying notes

12. VALUE ACCOUNTS Simplified Disclosure Pty Ltd reminds readers by way of a footnote that the primary financial statements should be read in conjunction with the accompanying notes. However, this is not mandatory and we note that there is mixed practice in this regard.

Financial statements vs financial report

CA295(1)

13. While the term 'financial report' is no longer used in the accounting standards, it is still a defined term in the *Corporations Act 2001* and covers:
- (a) the complete set of financial statements (as per above), and
 - (b) the directors' declaration.

Statement of profit or loss and other comprehensive income*Additional line items*

AASB1060(56)

14. Additional line items, headings and subtotals shall be presented in the statement of comprehensive income and the statement of profit or loss (where applicable) where such presentation is relevant to an understanding of the entity's financial performance. For example, a subtotal of gross profit (revenue from sales less cost of sales) could be included where expenses have been classified by function.

Revenue from contracts with customers and from other sources

AASB1060(56)

15. AASB 1060 does not require separate disclosure of interest revenue calculated using the effective interest method from other revenue, as is required in AASB 101 *Presentation of Financial Statements*. However, even though AASB 1060 only requires separate disclosure of the aggregate revenue from all sources, VALUE ACCOUNTS Simplified Disclosure Pty Ltd is presenting revenue from contracts with customers separately from other revenue, as it considers this to provide relevant information for users about the financial performance of the entity.

Financial statements

Discontinued operations

AASB1060(52)(e)

16. Entities shall disclose a single amount in the statement of comprehensive income (or separate statement of profit or loss) comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

AASB5(34)

17. The disclosures for discontinued operations must be re-presented for prior periods so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented. The discontinued operations presented in the statement of comprehensive income and statement of cash flows in the comparative period should therefore include all operations that have been discontinued by the end of the most recent reporting period. This means that the statements of comprehensive income and cash flows for the comparative period should show as discontinued operations both those reported as discontinued in the previous period together with those classified as discontinued in the current period. This will ensure that the amounts disclosed in the statement of comprehensive income and cash flows for continuing operations are comparable and provide a more useful basis for predicting future results.

AASB5(40)

18. In contrast, the balance sheet information for the prior year is neither restated nor remeasured.

Components of other comprehensive income

AASB1060(Appendix A)

19. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments) that are specifically required or permitted by other Australian Accounting Standards to be included in other comprehensive income and are not recognised in profit or loss. They currently include:

- (a) revaluation gains and losses relating to property, plant and equipment or intangible assets
- (b) remeasurements of net defined benefit liabilities/(assets)
- (c) gains and losses arising from translating the financial statements of a foreign operation
- (d) gains and losses on remeasuring financial assets that are measured or designated as at fair value through other comprehensive income
- (e) the effective portion of gains and losses on hedging instruments in a cash flow hedge
- (f) for particular liabilities designated as at fair value through profit or loss, the change in the fair value that is attributable to changes in the liability's credit risk
- (g) changes in the value of the time value of options, in the value of the forward elements of forward contracts and in the value of the foreign currency basis spread of financial instruments, where these are not included in the designation of the related instruments as hedging instruments
- (h) the investor's share of the OCI of equity-accounted investments, and
- (i) current and deferred tax credits and charges in respect of items recognised in other comprehensive income.

AASB1060(52)(g),(h)

20. The items of OCI, except for the investor's share of the OCI of equity-accounted investments, must be grouped into those that may be reclassified subsequently to profit or loss and those that will not be subsequently reclassified to profit or loss.

AASB5(38)

21. AASB 5 is unclear as to whether entities need to separate out items of other comprehensive income between continuing and discontinued operations. We believe that it would be consistent with the principles of AASB 5 to do so, as it would provide a useful base for predicting the future results of the continuing operations. We also note that entities must present separately any cumulative income or expense recognised in other comprehensive income that relates to a non-current asset or disposal group classified as held for sale.

Classification of expenses

AASB1060(58)

22. An analysis of expenses shall be presented using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant. The analysis can be presented in the statement of profit or loss and other comprehensive income or in the notes.

Financial statements

Offsetting

- AASB1060(24) 23. Assets and liabilities, and income and expenses, must not be offset unless required or permitted by an Australian Accounting Standard.

Goods and Services Tax

- UIG1031(6),(7) 24. UIG 1031 *Accounting for the Goods and Services Tax (GST)* provides that revenues and expenses must be recognised net of the amount of GST, except that where GST relating to expense items is not recoverable from the taxation authority it must be recognised as part of the item of expense. We recommend that entities that are not able to recover GST relating to particular expense items should include a policy note indicating which expense items disclosed in the financial statements are inclusive of non-recoverable GST. They could also amend the wording of specific disclosures (e.g. auditor's remuneration - refer to commentary on remuneration of auditors - **note 17**) to make it clear that the amounts disclosed are inclusive of non-recoverable GST.

Balance sheet*Current/non-current distinction*

- AASB1060(37) 25. An entity presents current and non-current assets and current and non-current liabilities as separate classifications in its balance sheet except where a presentation based on liquidity provides information that is reliable and is more relevant. Where that exception applies, all assets and liabilities are presented broadly in order of liquidity.
- AASB1060(38),(40) 26. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even where they are not expected to be realised within 12 months after the reporting period. Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than 12 months after the reporting period.
- AASB1060(39) 27. The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in the form of cash or cash equivalents. Where the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.

Separate line items

- AASB1060(35),(36),(42) 28. Paragraph 35 of AASB 1060 sets out the line items that are, as a minimum, required to be presented in the balance sheet. Additional line items, heading and subtotals should be added where they are relevant to an understanding of the entity's financial position. The descriptions used and the sequencing of items or aggregation of similar items may be amended according to the nature of the entity and its transactions.
- AASB1060(43) 29. The judgement on whether additional items are presented separately is based on the amounts, nature and liquidity of assets, the function of assets within the entity and the amounts, nature and timing of liabilities.
30. VALUE ACCOUNTS Simplified Disclosure Pty Ltd has elected to present the following items separately as it considers that this provides more relevant information to users:
- (a) contract assets and contract liabilities recognised in relation to revenue from contracts with customers
 - (b) right-of-use assets and lease liabilities, and
 - (c) employee benefit obligations.
- AASB1060(159) 31. If contract assets and contract liabilities are not presented separately in the balance sheet, the closing balances would need to be disclosed in the notes.

Financial statements

Statement of changes in equity

AASB1060(61)

32. The statement of changes in equity shall include:

- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108
- (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
 - (i) profit or loss
 - (ii) other comprehensive income, and
 - (iii) investments by, and dividends and other distributions to, owners in their capacity as owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners and changes in ownership interests in subsidiaries that do not result in loss of control.

AASB1060(26)

33. If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity. We have illustrated a statement of income and retained earnings in [Appendix A](#).

Statement of cash flows

*Definition of cash and cash equivalents*AASB1060
(Appendix A).(65)

34. Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition. Financial instruments can only be included if they are in substance cash equivalents, e.g. debt investments with fixed redemption dates that are acquired within three months of their maturity.

Net presentation of cash flows

AASB1060(75)-(78)

35. Cash inflows and outflows must generally be reported gross unless they relate to

- (a) cash receipts and payments on behalf of customers which reflect the activities of the customer rather than the entity, or
 - (b) items in which the turnover is quick, the amounts are large, and the maturities are short.
- Financial institutions may also report certain cash flows on a net basis.

Interest, dividends and taxes

AASB1060(82)-(84)

36. AASB 1060 does not specify how to classify cash flows from interest paid and interest and dividends received. VALUE ACCOUNTS Simplified Disclosure Pty Ltd has chosen to present interest paid as operating cash flows, but dividends and interest received as investing cash flows because they are returns on the group's investments. Dividends paid are classified in this publication as financing cash flows because they are a cost of obtaining financial resources. However, they could also be classified as operating cash flows to assist users in determining the ability of an entity to pay dividends out of operating cash flows.

AASB1060(85)

37. Cash flows arising from income taxes must be separately disclosed and are classified as operating cash flows unless they can be specifically identified with financing or investing activities.

Tax consolidation and cash flows

AASB1060(85)

38. Income taxes paid by head entities in a tax consolidated group include amounts paid on behalf of the tax consolidated entities. Amounts received by the head entity under a tax funding agreement should be separately disclosed. However, in the statement of cash flows of a tax consolidated entity, these amounts paid to the head entity represent cash flows arising from taxes on income and should be presented as such, despite the fact that they are paid to the head entity, not the taxation authorities.

Financial statements

Leases

AASB16(50)

39. Cash flows relating to leases must be presented as follows:

- (a) cash payments for the principal portion of the lease liabilities as cash flows from financing activities
- (b) cash payments for the interest portion consistent with presentation of interest payments chosen by the group, and
- (c) short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

As this is presentation guidance, it is not superseded by AASB 1060 and continues to apply, see commentary paragraph 1 above.

Discontinued operations

AASB1060(91)(c)

40. AASB 1060 does not require separate disclosure of the cash flows attributable to discontinued operations. However, where an entity has discontinued a significant part of its operating activities, providing this information either in the notes or on the face of the cash flow statement may be relevant to an understanding of the entity's future cash flow generating ability.

Goods and Services Tax (GST)

UIG1031(10)

32. Cash flows shall be included in the statement of cash flows on a gross basis, subject to paragraph 42 below and to AASB 1060.

UIG1031(11)

33. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority shall be classified as operating cash flows and will be included in receipts from customers or payments to suppliers, as appropriate. Although GST amounts are not required to be disclosed in statements of cash flows, entities can choose to make specific GST disclosures in the statement itself or in notes to the statement.

Where no cash flows

34. A statement of cash flows must be included in the financial report even if there are no cash flows (and no cash or cash equivalent balances). Preferably, the statement should include the minimum line items that are required to be presented under AASB 1060, with zero amounts for the current and comparative period. However, it may also be acceptable to replace the individual line items with an explanation that there were no cash flows during the current and previous financial years, provided this explanation is given under the heading of 'statement of cash flows' and is presented as part of the financial statements, before the notes to the financial statements

AASB1060(86),(87)

35. You will also need to take care to comply with the disclosure requirements of AASB 1060 relating to any non-cash financing or investing activities (refer to [note 9](#)).

Reconciliation of net operating cash flow to profit or loss

36. Entities that have previously prepared special purpose financial statements and presented their statement of cash flows using the direct method had to include a reconciliation of net operating cash flows to profit or loss in the notes to their financial statements. While there is no such requirement in AASB 1060, the reconciliation may help with the preparation of the cash flow statement.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

46. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

Affecting all financial statements

AASB1060(105)

Issue not illustrated	Relevant disclosures or references
Separate financial statements	Disclose why they are prepared, a list of significant investments and the policies applied in accounting for these investments.

Financial statements

AASB1060(181),(182)

Foreign currency translation

Disclose if the presentation currency is different from the functional currency, if there have been changes in the functional currency and clearly identify supplementary information that is presented in a currency other than the parent entity's functional or presentation currency.

AASB1060(16)

Reporting period is shorter or longer than one year

Disclose the period covered, the reason for different periods and the fact that the amounts are not entirely comparable.

AASB1060(18),(19)

Presentation or classification of an item has changed and reclassification of comparatives is impracticable

Disclose why reclassification was not practicable.

*Statement of profit or loss and other comprehensive income***Issue not illustrated****Relevant disclosures or references**

AASB1060(53)

Non-controlling interests

Disclose profit or loss and total comprehensive income attributable to (i) non-controlling interests and (ii) owners of the parent in the statement(s) presenting profit or loss and other comprehensive income respectively. See Appendix A for an illustration.

AASB1060(52)(g)(i),(ii)

Items in other comprehensive income which will not be reclassified subsequently to profit or loss including but not limited to:

- revaluation of property, plant and equipment and intangible assets
- changes in the fair value of equity investments at fair value through OCI
- remeasurements of post-employment benefit obligations

Separately disclose these items under "Items that will not be reclassified to profit or loss" in the statement of other comprehensive income.

AASB1060(52)(h)

Share of the OCI of associates and joint ventures accounted for by the equity method

Disclose the amount in the statement of other comprehensive income but without distinction into amounts which will or will not be reclassified subsequently to profit or loss.

AASB5(38)

Items of OCI relating to discontinued operations

Present separately in the statement of profit or loss and other comprehensive income.

AASB1060(27)

The entity has no items of other comprehensive income in any of the periods for which financial statements are presented

The entity may present only a statement of profit or loss, or present a statement of profit or loss and other comprehensive income in which the bottom line is labelled 'profit or loss'.

*Balance sheet and statement of changes in equity***Issue not illustrated****Relevant disclosures or references**

AASB1060(35)(p),(61)(a)

Non-controlling interests

Disclose non-controlling interests separately from the equity attributable to the owners of the parent.

*Statement of cash flows***Issue not illustrated****Relevant disclosures or references**

AASB1060(81)

Cash and cash equivalent held or due in a foreign currency

Present unrealised foreign exchange gain or loss separately from cash flows from operating, investing and financing activities (see Appendix A for an illustration).

Contents of the notes to the consolidated financial statements ¹⁻⁸

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Contents of the notes to the financial statements

Content

AASB1060(91)

1. The notes to the financial statements of an entity shall:
 - (a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 95 to 97 of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
 - (b) disclose the information required by AASB1060 that is not presented elsewhere in the financial statements, and
 - (c) provide additional information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

Structure of the notes

AASB1060(92)

2. Notes shall, as far as practicable, be presented in a systematic manner, keeping in mind the understandability and comparability of the financial statements. Each item in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows shall be cross referenced to any related information in the notes.

AASB1060(93)

3. Examples of systematic ordering of notes include:
 - (a) giving prominence to the areas of the entity's activities that are most relevant to an understanding of the financial performance and financial position, for example by grouping together information about particular operating activities
 - (b) grouping together information about items that are measured similarly, for example assets measured at fair value, or
 - (c) following the order of the line items in the financial statements, by disclosing
 - i. a statement of compliance with Australian Accounting Standards - Simplified Disclosures (refer to paragraph 10 of AASB 1060)
 - ii. a summary of significant accounting policies applied (refer to paragraph 95 of AASB 1060)
 - iii. supporting information for items presented in the statements of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, in the order in which each statement and each line item is presented, and
 - iv. other disclosures, including:
 - contingent liabilities (refer to paragraph 154 of AASB 1060) and unrecognised contractual commitments, and
 - non-financial disclosures; for example, the entity's financial risk management on hedging (refer to paragraph 120 to 122 of AASB 1060).
4. Traditionally, most financial reports have used the structure suggested in para 3(c) above. However, financial report preparers increasingly consider annual reports to be an important tool in the communication with stakeholders. As a consequence, there is a growing interest in alternative formats of the financial statements.
5. This VALUE publication demonstrates one possible way of how financial reports could be improved if the existing information was presented in a more user-friendly order. To do so, we have presented information about specific aspects of the entity's financial position and performance together. For example, information about financial and non-financial assets and liabilities is presented separately in **notes 6 and 7**, information about the group structure and interests in other entities is presented in **note 12** and information about unrecognised items in **notes 13 to 15**. Colour coding helps to find relevant information quickly.
6. In addition, the notes relating to individual line items in the financial statements disclose the relevant accounting policies as well as information about significant estimates or judgements. Accounting policies that merely summarise mandatory requirements are disclosed at the end of the financial report, as they are not relevant for the majority of users. This structure makes the information in the financial report more accessible for users and provides a basis for considering the most useful structure for your entity's report.

Contents of the notes to the financial statements

AASB1060(22),(23)

7. However, it is important to note that the structure used in this publication is not mandatory and is only one possible example of improved readability. In fact, our experience has shown that there is not one structure that is suitable for all entities. Rather, the appropriate structure depends on the entity's business and each entity should consider what would be most useful and relevant for their stakeholders based on their individual circumstances.
8. When drafting the disclosures in the notes to the financial statements, also remember that too much immaterial information could obscure the information that is actually useful to readers. Some of the disclosures in this publication would likely be immaterial if VALUE ACCOUNTS Simplified Disclosure Pty Ltd was a 'real life' company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are not always realistic. Disclosures should not be included where they are not relevant or not material in specific circumstances.

Notes to the financial statements

1 Significant transactions and events in the current reporting period¹⁻⁵

The financial position and performance of the group was particularly affected by the following transactions and events during the reporting period:

- The acquisition of VALUE Electronics Pty Ltd in October 2020 (see **note 10**) which resulted in an increase in property, plant and equipment (**note 7(a)**) and the recognition of goodwill and other intangible assets (**note 7(d)**).
- The sale of VALUE Equipment Hire Pty Ltd in August 2020 (see **note 11**).
- A fire in Maitland in September 2020 which damaged a major office and warehouse building owned by a subsidiary and destroyed equipment and inventories stored in the warehouse. Impairment losses of \$1,210,000 were recognised as a result of the fire, of which \$675,000 related to the building and associated equipment and \$535,000 to inventory (see **note 4(c)**). An amount of \$300,000 was received by the group from an insurance company as compensation for the damage caused by the fire and recognised in other income.
- A review of the smartphones and tablets division resulted in a decision to reduce the manufacturing output as a result of declining sales. This led to redundancies, and a goodwill impairment charge (see **note 7(d)** and **note 7(i)**).

Significant transactions and events

1. AASB 1060 does not require a summary of significant events and transactions that have affected the company's financial position and performance during the period under review. However, it may help readers understand the entity's performance and changes to the entity's financial position during the year if this information is provided upfront as the first item in the notes, together with references to other significant transactions and events that are disclosed elsewhere.
2. There is also no explicit requirement to disclose individually significant items of income and expense, but entities still need to provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them. The AASB has stated that it would monitor entities' disclosure practices and may add a requirement to disclose individually significant items of income and expense if it becomes apparent that entities do not provide sufficient disclosures in this regard.

Disclosures not illustrated: going concern disclosures

3. When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. Where the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.
4. Where there are material uncertainties about the entity's ability to continue as a going concern, this fact should be disclosed upfront, for example in a note such as this.
5. A disclosure of material uncertainties about the entity's ability to continue as a going concern should:
 - (a) adequately describe the principal events and conditions that give rise to the significant doubt on the entity's ability to continue as a going concern
 - (b) explain management's plans to deal with these events or conditions, and
 - (c) state clearly that:
 - (i) there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, and
 - (ii) the entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

How the numbers are calculated

Not mandatory

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction
- (b) analysis and sub-totals
- (c) information about estimates and judgements made in relation to particular items.

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2 Critical estimates and judgements¹⁻⁵

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

AASB1060(96),(97)

(a) Critical estimates and judgements

The areas involving significant estimates or judgements are:

- estimation of current tax payable and current tax expense in relation to uncertain tax position – note 5(b)
- estimated loss allowance on trade receivables – note 6(b)
- estimation of fair values of investment properties – note 7(c)
- estimated goodwill impairment – note 7(d)
- estimated useful life of intangible asset – note 7(d)
- recognition of deferred tax asset for carried forward tax losses – note 7(e)
- estimation of provision for warranty claims – note 7(i), and
- estimation of fair values of contingent liabilities and contingent purchase consideration in a business combination – note 10

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(b) Revision of useful lives of plant and equipment

AASB1060(109)

During the year the estimated total useful lives to a subsidiary of certain items of plant and equipment used in the manufacture of furniture were revised. The net effect of the changes in the current financial year was an increase in depreciation expense of \$980,000.

Assuming the assets are held until the end of their estimated useful lives, depreciation in future years in relation to these assets will be increased by the following amounts:

Year ending 30 June	\$'000
2021	740
2022	(610)
2023	(460)
2024	(430)

Critical estimates and judgements

AASB1060(96),(97)

1. AASB 1060 has a general requirement to disclose information about
 - (a) judgements made by management in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and
 - (b) key assumptions concerning the future and out key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, including details of the nature of the assets or liabilities and their carrying amount at the end of the reporting period.
2. Entities will need to consider whether they have made any judgements or estimates in relation to areas of accounting such as leases, revenue, subsidiaries, associates and joint ventures that have a significant impact on the recognised amounts and therefore will need to be disclosed under the general requirements outlined above.

Critical estimates and judgements

3. In this publication we have illustrated a few judgements and estimates that may require separate disclosure. However, judgements and estimates are by their very nature entity-specific and will therefore vary from entity to entity. The disclosures in this publication are examples only and they need to be adapted to the individual circumstances of the entity.

Significant judgements

4. Other examples of significant judgements that may require disclosures are judgements made in determining:
- (a) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities
 - (b) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue
 - (c) whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
 - (d) whether an asset should be classified as held-for-sale or an operation meets the definition of a discontinued operation
 - (e) whether multiple assets should be grouped to form a single cash-generating unit (where this would affect whether an impairment is recognised)
 - (f) whether there are material uncertainties about the entity's ability to continue as a going concern
 - (g) whether the entity has control, joint control or significant influence over another entity,
 - (h) in relation to the recognition of revenue – the timing of the satisfaction of performance obligations, the transaction price and its allocation to performance obligations and the accounting for the modification of a contract with a customer
 - (i) in relation to leases – whether a contract is, or contains, a lease, how the entity has determined the incremental borrowing rate, what the entity considers to be an index or a rate in determining lease payments, what constitutes a penalty in determining the lease term, and when a change in either the scope of or the consideration for the lease is a modification of the lease.

Disclosure not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

5. Disclosures for the correction of an error are illustrated in Appendix A.

AASB1060(96),(97)

3 Revenue from contracts with customers ^{4,7}

(a) Disaggregation of revenue from contracts with customers ^{2,3}

AASB1060(157)(b)

The group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

		2021 \$'000	2020 \$'000
<i>Revenue recognised over time</i>			
Design and installation	(i)	69,181	51,713
Support and maintenance	(i)	43,090	33,614
Other		394	323
		112,665	85,650
<i>Revenue recognised at a point in time</i>			
Sales of computers, computer hardware and peripheral equipment	(ii)	45,462	42,017
Sales of smartphones and tablets	(ii)	39,532	33,937
		84,994	75,954
Total revenue from contracts with customers		197,659	161,604

(b) How the group recognises revenue ^{1,5-7}

AASB1060(95),(157)(a),
(158)

(i) Software engineering services

The Software engineering division provides business IT management, design, implementation and support services under fixed-price and variable-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of hardware and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by VALUE ACCOUNTS Simplified Disclosure Pty Ltd exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

The contract assets disclosed in the balance sheet are net of a loss allowance for lifetime expected credit losses, which is determined using the simplified approach permitted in AASB 9 *Financial Instruments*. As the contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts, the group has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets, see [note 6\(b\)](#) for further information. ⁴

If the contract includes an hourly fee, revenue is recognised in the amount to which VALUE ACCOUNTS Simplified Disclosure Pty Ltd has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(b) How the group recognises revenue**(ii) Sale Of goods**

AASB1060(95),(157)(a) The group manufactures and sells computers, computer hardware and peripheral equipment, smartphones and tablets in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

AASB1060(95),(157)(a) The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables, see **note 6(e)**) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

The group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see **note 7(i)**.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iii) Financing components

AASB1060(95),(157)(a) The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

Revenue from contracts with customers**Information about performance obligations**

- AASB1060(157)(a)
1. Entities must disclose information about their performance obligations with customers including:
 - (a) a description of when the entity typically satisfies its performance obligations,
 - (b) the significant payment terms,
 - (c) the nature of the goods or services that the entity has promised to transfer,
 - (d) obligations for returns, refunds and other similar obligations, and
 - (e) types of warranties and related obligations.

Disaggregation of revenue

- AASB1060(157)(b)
2. Entities must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will depend on the specific circumstances of each entity as to how much detail is disclosed. VALUE ACCOUNTS Simplified Disclosure Pty Ltd has determined that a disaggregation of revenue by product lines and based on the timing of the transfer of goods or services (at a point in time vs over time) is adequate for its circumstances. However, this is a judgement and will not necessarily be appropriate for other entities.
- AASB15(B87)-(B89)
3. Categories that could be used as basis for disaggregation include:
 - (a) type of good or service (e.g. major product lines)
 - (b) geographical regions
 - (c) market or type of customer
 - (d) type of contract (e.g. fixed price vs time-and-materials contracts)
 - (e) contract duration (short-term vs long-term contracts), or
 - (f) sales channels (directly to customers vs wholesale).

Revenue from contracts with customers

Disclosure of contract assets and liabilities

AASB1060(159)

4. Contract assets and liabilities only need to be disclosed in the notes if they are not already separately presented in the balance sheet. There is no explicit requirement in AASB 1060 to disclose the loss allowance recognised in relation to contract assets. However, where a large part of the entity's operations consists of long-term contracts, users may require more detailed information about the relevant balances, including the amount of the recognised loss allowance, similar to the information provided for trade receivables (see [note 6\(b\)](#)).

Accounting policies and significant judgements

AASB1060(94)

5. As explained on [page 27](#), it is helpful for readers of the financial report if the notes for specific line items in the financial statements also set out
 - (a) information about accounting policies that are specific to the entity, and that explain how the line items are determined, and
 - (b) information about significant judgements and estimates applied in relation to line items.
 However, this format is not mandatory.
6. A full list of all accounting policies is provided in [note 19](#) together with relevant commentary. Commentary regarding the disclosure of significant judgements and estimates is provided in [note 1](#).

AASB1060(96),(97)

Disclosure not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

Significant judgements made in recognising revenue

AASB1060(96)

7. While we have assumed that VALUE ACCOUNTS Simplified Disclosure Pty Ltd has not made any judgements that would require separate disclosure, this may not necessarily be the case for all entities. Each entity will need to carefully consider their revenue recognition policies to determine whether there are any judgements that had a significant effect on the amounts recognised in the financial statements, and that would therefore need to be explained.
8. Examples of such disclosures are:

AASB1060(96)

Critical judgements in recognising revenue

The group has recognised revenue amounting to \$2,950,000 for sale of furniture to a wholesale customer in June 2021. The buyer has the right to rescind the sale if there is 5% dissatisfaction with the quality of the first 100 pieces of furniture sold. This specific concession was made because this is a new product line specifically designed for this customer. However, consistent with other contracts, the group does not have a right to payment until the furniture has been delivered to the customer. Based on the quality assurance system implemented, the group is confident that the quality of the product is such that the dissatisfaction rate will be well below 5%. Management has determined that it is highly probable that there will be no rescission of the contract, and that a significant reversal in the amount of revenue recognised will not occur. It is therefore appropriate to recognise revenue on this transaction during 2021 as control of the product is transferred to the customer. The profit recognised for this sale was \$1,625,000. The group would suffer an estimated pre-tax loss of \$1,760,000 in its 2022 financial statements if the sale is cancelled (\$1,625,000 for the reversal of 2021 profits and \$135,000 of costs connected with returning the stock to the warehouse).

Critical judgements in allocating the transaction price

AASB1060(96)

Some fixed-price IT support contracts include an allowance for one free of charge hardware replacement per contract period up to a specified value. Because these contracts include two performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis.

Management estimates the stand-alone selling price at contract inception, based on observable prices of the type of hardware likely to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices.

4 Other income and expense items ¹⁻³

AASB1060(90)

This note provides a breakdown of the items included in other income, other gains/(losses) and expenses included in profit before income tax. Information about specific profit and loss items (such as gains and losses in relation to financial instruments) is disclosed in the related balance sheet notes.

AASB1060(90)

(a) Other income

	Notes	2021 \$'000	2020 \$'000
Rental income	8(c)	7,240	7,240
Dividends		3,300	4,300
AASB1060(119)(a)(i),(119)(b) Interest income on financial assets measured at amortised cost	(i)	1,519	1,154
Other items	(ii)	550	244
		12,609	12,938

(i) Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 4(b) below. Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(ii) Government grants

AASB1060(160)(a),(b),(c)

Research grants of \$250,000 (2020 – \$244,000) are included in the 'other items' line item. There are no unfulfilled conditions or other contingencies attaching to these grants. The group did not benefit directly from any other forms of government assistance.

AASB1060(160)(d)

Deferral and presentation of government grants

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. See [note 19\(f\)](#) for further details.

AASB1060(90)

(b) Other gains/(losses)

	Notes	2021 \$'000	2020 \$'000
Net gain/(loss) on disposal of property, plant and equipment (excluding property, plant and equipment sold as part of the sale of VALUE Equipment Hire Pty Ltd)	7(a)	1,620	(530)
Fair value adjustment to investment properties	7(c)	1,350	1,397
AASB1060(119)(a)(i) Fair value gains /(losses) on financial assets at fair value through profit or loss	6(c)	955	(620)
AASB1060(180)(a) Net foreign exchange gains/(losses)		37	(347)
Other items		139	(38)
		4,101	(138)

AASB1060(90)

(c) Other expenses

	Notes	2021 \$'000	2020 \$'000
Impairment losses as a result of fire	1	(1,210)	-
Impairment of goodwill	7(d)	(2,410)	-
Restructuring costs	7(i)	(1,377)	-
AASB1060(119)(c) Impairment losses on financial assets	6(b),6(c)	(841)	(595)
Lease payments for short-term and low value leases	7(b)	(941)	(750)
Other expenses		(1,597)	(1,667)
		(8,376)	(3,012)

AASB1060(90)

(d) Finance costs

	Notes	2021 \$'000	2020 \$'000
AASB1060(119)(b) Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss		(6,709)	(6,672)
Interest and finance charges paid/payable for lease liabilities		(527)	(505)
Provisions: unwinding of discount		(93)	(78)
AASB1060(122)(d) Fair value gain on interest swaps cash flow hedges – transfer from equity	6(c)	155	195
		7,174	7,060
AASB1060(162) Amount capitalised		(525)	(325)
Finance costs expensed		6,649	6,735

Other income and expense items

AASB1060(90),(91)(c)

- Paragraph 90 of AASB 1060 explains that the notes provide narrative descriptions or disaggregations of items presented in the primary financial statements. While there is no explicit requirement for the disaggregation of amounts disclosed in the statement of profit or loss and other comprehensive income, entities should consider to what extent this information may be necessary for an understanding of the financial statements.
- VALUE ACCOUNTS Simplified Disclosure Pty Ltd discloses a breakdown of other income, other gains/losses, other expenses and finance costs due to the dissimilar nature of the types of income and expense included in these line items in the statement of profit or loss. However, such an analysis will not be necessary if the nature of the items can be clearly established from the description in the statement of profit or loss, or if the aggregate amounts are not material.
- Where the standard requires the disclosure of certain specific profit or loss items, these can also be disclosed together with the related balance sheet information. VALUE ACCOUNTS Simplified Disclosure Pty Ltd has done so for the financial instruments (see [note 6\(b\)](#) and [\(c\)](#)) and research and development expenditure ([note 7\(d\)](#)).

5 Income tax expense ^{3,5-7}

This note provides an analysis of the group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the group's tax position.

		2021 \$'000	2020 \$'000
AASB1060(177)	(a) Income tax expense		
	<i>Current tax</i>		
AASB1060(177)(a)	Current tax on profits for the year	16,841	12,184
AASB1060(177)(b)	Adjustments for current tax of prior periods	(371)	135
	Total current tax expense	16,470	12,319
	<i>Deferred income tax</i>		
AASB1060(177)(c)	Decrease (increase) in deferred tax assets (note 7(e))	(3)	(571)
AASB1060(177)(c)	(Decrease) increase in deferred tax liabilities (note 7(e))	242	1,163
	Total deferred tax expense/(benefit)	239	592
	Income tax expense	16,709	12,911
	Income tax expense is attributable to:		
	Profit from continuing operations	16,325	12,740
	Profit from discontinued operation	384	171
		16,709	12,911

(b) Significant estimates – uncertain tax position and tax-related contingency

The tax legislation in relation to expenditures incurred in association with the establishment of the smartphone and tablet wholesale division is unclear. The group considers it probable that a tax deduction of \$1,933,000 will be available and has calculated the current tax expense on this basis. However, the group has applied for a private ruling to confirm its interpretation. If the ruling is not favourable, this would increase the group's current tax payable and current tax expense by \$580,000 respectively. The group expects to get a response, and therefore certainty about the tax position, before the next reporting date

(c) Numerical reconciliation of income tax expense to prima facie tax payable ^{1,2}

		2021 \$'000	2020 \$'000
	Profit from continuing operations before income tax expense	54,239	42,184
	Profit from discontinuing operation before income tax expense	1,281	570
		55,520	42,754
AASB1060(178)(c)(i)	Tax at the Australian tax rate of 30% (2020 – 30%)	16,656	12,826
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Goodwill impairment	723	-
	Amortisation of intangibles	92	158
	Entertainment	82	79
	Expenses paid to foreign related parties but not taxed overseas ⁴	40	22
	Tax offset for franked dividends	(9)	(21)
	Sundry items	(90)	(187)
	Subtotal	17,494	12,877

(c) Numerical reconciliation of income tax expense to prima facie tax payable

		2021 \$'000	2020 \$'000
	Subtotal	17,494	12,877
AASB1060(177)(b)	Adjustments for current tax of prior periods	(371)	135
	Research and development tax credit	(121)	(101)
AASB1060(177)(e),	Previously unrecognised tax losses now recouped to reduce current tax expense	(293)	-
	Income tax expense	16,709	12,911

(d) Tax losses

AASB1060(178)(f)	Unused tax losses for which no deferred tax asset has been recognised	1,820	2,796
	Potential tax benefit @ 30%	546	839

The unused tax losses relate to capital losses which can only be recovered through future taxable capital gains. They can be carried forward indefinitely. See [note 7\(e\)](#) for information about recognised tax losses and significant judgements made in relation to them.

Income tax expense**Relationship between tax expense and accounting profit**

- AASB1060(178)(c)
- Entities can explain the relationship between tax expense (income) and accounting profit by disclosing reconciliations between:
 - tax expense and the product of accounting profit multiplied by the applicable tax rate, or
 - the average effective tax rate and the applicable tax rate. The applicable tax rate can either be the domestic rate of tax in the country in which the entity is domiciled, or it can be determined by aggregating separate reconciliations prepared using the domestic rate in each individual jurisdiction. Entities should choose the method that provides the most meaningful information to users.
 - Where an entity uses option (a) above and reconciles tax expense to the tax that is calculated by multiplying accounting profit with the applicable tax rate, the standard does not specify whether the reconciliation should be done for total tax expense, or only for tax expense attributable to continuing operations. While VALUE ACCOUNTS Simplified Disclosure Pty Ltd is reconciling total tax expense, it is equally acceptable to use profit from continuing operations as starting point.

Income tax recognised in other comprehensive income

- AASB1060(178)(a)
- While entities do not need to disclose income tax expense relating to each component in the statement of other comprehensive income, they are still required to disclose the aggregate current and deferred tax relating to items that are recognised in other comprehensive income. VALUE ACCOUNTS Simplified Disclosure Pty Ltd has disclosed this information in the statement of profit or loss and other comprehensive income, but this could also be disclosed as part of the income tax note.

Income tax expense

Hybrid mismatch rules

4. Hybrid mismatch rules apply in Australia from as early as 1 January 2019. The rules target “hybrid arrangements”, which are differences in the tax treatment of an entity or instrument under the laws of two or more tax jurisdictions that cause a mismatch. A simple example of a hybrid mismatch would be a payment made by an Australian entity for which a deduction is claimed in Australia but for which there is no assessable income overseas. Under the new rules, a mismatch would usually be neutralised by disallowing a deduction or including an amount in Australian assessable income. For further guidance refer to our Straight Away publication *Preparing for the hybrid mismatch rules*.

Disclosure not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

5. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

Issue not illustrated	Relevant disclosures or references
Changes in the applicable tax rate	Explain the changes (see illustrative disclosure below) and disclose the adjustments to income tax expense/(benefit).
Change in the tax status of the entity or its shareholders	Disclose the adjustment as component of income tax expense/(benefit).
Write-down, or reversal of a previous write-down of deferred tax assets, of a deferred tax asset	Disclose the adjustment as component of income tax expense/(benefit).
Changes in accounting policies and errors that cannot be accounted for retrospectively	Disclose the amount of tax expense relating to those changes in accounting policies or errors
Current or deferred tax recognised directly in equity	Disclose aggregate amounts recognised directly in equity
Payment of dividends which will affect the entity's income tax expense (e.g. a lower tax rate applies to distributed profits)	Explain the nature of the potential income tax consequences and disclose the amounts.

Changes in tax rate

6. The Australian Government has enacted legislation which reduces the corporate tax rate for certain small and medium entities from the current 27.5% (since 2016-17) to 26% for the 2020-21 income year and to 25% for the 2021-22 and later income years. To be eligible, entities must have aggregate turnover of less than \$50 million and at least 20% of the assessable income must be coming from active sources, i.e. not being income from investments such as dividends, interest, rental and royalties (referred to as base rate entity passive income).

7. Entities that are expected to be eligible for the lower rates will need to factor the reduction of the tax rate into their current and deferred tax calculations. Adjustments to the deferred tax balances will appear as another reconciling item in the reconciliation of prima facie income tax payable to income tax expense. The associated explanations could read as follows:

The Australian Government has passed legislation which reduces the corporate tax rate for small and medium base rate entities from 27.5% to 26% for the 2020-21 income year and further to 25% for the 2021-22 and later income years. As VALUE Medium Pty Limited expects to qualify as a base rate entity with a turnover of less than \$50 million and less than 80% of its assessable income being passive income for the foreseeable future, it expects to benefit from the reduced tax rates in future reporting periods.

As a consequence, VALUE Medium Pty Limited has remeasured its deferred tax balances based on the effective tax rate that will apply in the year the temporary differences are expected to reverse. The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss (such as revaluations of property, plant and equipment).

Separate note not mandatory

6 Financial assets and financial liabilities ^{1-3,7}

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

(a) Cash and cash equivalents

		2021 \$'000	2020 \$'000
	Current assets		
AASB1060(88)	Cash at bank and in hand	750	600
AASB1060(88)	Deposits at call	44,175	37,186
		<u>44,925</u>	<u>37,786</u>

(i) Reconciliation to cash flow statement

AASB1060(88) The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2021 \$'000	2020 \$'000
Balances as above	44,925	37,786
Bank overdrafts (see note 6(f) below)	(2,650)	(2,250)
Balances per statement of cash flows	<u>42,275</u>	<u>35,536</u>

(ii) Classification as cash equivalents

AASB1060(95) Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See note 19(k) for the group's other accounting policies on cash and cash equivalents.

(iii) Restricted cash

AASB1060(89) The cash and cash equivalents disclosed above and in the statement of cash flows include \$7,314,000 which are held by VALUE Electronics Pty Ltd Ltd. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the group.

(b) Trade receivables

		2021 \$'000	2020 \$'000
	Current assets		
AASB1060(44)(b),(113)(b)	Trade receivables from contracts with customers	16,308	16,308
Not mandatory	Loss allowance (ii) ⁴	(646)	(646)
		<u>15,662</u>	<u>15,662</u>

(i) Classification as trade receivables

AASB1060(95),(112) Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(b) Trade receivables**(ii) Impairment of trade receivables**

AASB1060(95),(112)

The group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 or 30 June 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within other expenses (see [note 4\(c\)](#)). Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant estimates

AASB1060(97)

The loss allowances for trade receivables and contract assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. The expected loss rates applied as at 30 June 2021 vary from 5% for receivables that are more than 30 days past due to 52% for receivables that are more than 120 days past due (30 June 2020 – from 5% to 46%).

(iii) Transferred receivables

AASB1060(116)

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, VALUE Manufacturing Pty Ltd has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, VALUE Manufacturing Pty Ltd has retained late payment and credit risk. The group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing. The group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts are as follows:

	2021 \$'000	2020 \$'000
Transferred receivables	3,250	-
Associated secured borrowing (bank loans – see note 6(f) below)	3,100	-

(c) Other financial assets

		Notes	2021 \$'000	2020 \$'000
AASB1060(44)	Current assets³			
AASB1060(113)(b)	Financial assets at amortised cost	(i)	1,100	842
AASB1060(113)(a)	Financial assets at fair value through profit or loss (FVPL)	(ii)	11,300	10,915
			12,400	11,757
	Non-current assets³			
AASB1060(113)(b)	Financial assets at amortised cost	(i)	3,496	2,629
AASB1060(113)(a)	Financial assets at fair value through profit or loss (FVPL)	(ii)	2,390	980
			5,886	3,609

(i) Financial assets at amortised cost^{2,3}

AASB1060(112) The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

AASB1060(94) See **note 19(o)** for the remaining relevant accounting policies.

AASB1060(44) Financial assets at amortised cost include the following debt investments: ³

		2021			2020		
		Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
	Loans to related parties (see note 16)	-	1,300	1,300	-	700	700
	Loans to key management personnel (see note 16)	166	551	717	126	480	606
	Debenture assets	-	750	750	-	750	750
	Listed corporate bonds	-	554	554	-	515	515
	Other receivables	939	375	1,314	716	200	916
		1,105	3,530	4,635	842	2,645	3,487
Not mandatory	Less: loss allowance for debt investments at amortised cost ⁴	(5)	(34)	(39)	-	(16)	(16)
		1,100	3,496	4,596	842	2,629	3,471

Impairment of financial assets at amortised cost

AASB1060(96) All of the entity's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(c) Other financial assets*Other receivables*

AASB1060(90)

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

(ii) Financial assets at fair value through profit or loss

AASB1060(112)

The group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at amortised cost (see (i) above)
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

AASB1060(44)

Financial assets mandatorily measured at FVPL include the following: ³

	2021 \$'000	2020 \$'000
Non-current assets		
Unlisted preference shares	1,100	980
Contingent consideration (note 11(b))	1,290	-
	2,390	980
Current assets		
US listed equity securities	5,190	4,035
Australian listed equity securities	6,110	6,880
	11,300	10,915
	13,690	11,895

AASB1060(94)

See note 19(o) for the remaining relevant accounting policies.

Amounts recognised in profit or loss

AASB1060(119)(a)

During the year, the following gains/(losses) were recognised in profit or loss:

	2021 \$'000	2020 \$'000
AASB1060(119)(a)(i) Fair value gains (losses) on financial assets at FVPL recognised in other gains/(losses) (see note 4(c))	955	(620)
Fair value gain on contingent consideration recognised in profit from discontinued operations (see note 11(b))	90	-

Fair value measurements

AASB1060(115)

The valuation techniques and key assumptions used in measuring the fair value of financial assets measured at FVPL for 2021 and 2020 are as follows: ^{5,6}

- Unlisted preference shares and contingent consideration: present value of expected cash inflows based on the terms of the contracts, using discount rates that are adjusted for counterparty credit risk (3.5 % for the preference shares and 5% for the contingent consideration; 2020 – 3.9% for the preference shares).
- Listed equity securities: quoted market prices in active markets.

(d) Derivative financial instruments

AASB1060(120)(b)

The group has the following derivative financial instruments:

	2021 \$'000	2020 \$'000
Current assets		
Interest rate swaps – cash flow hedges	<u>145</u>	<u>97</u>
Non-current assets		
Interest rate swaps – cash flow hedges	<u>308</u>	<u>712</u>
Current liabilities		
Foreign currency forwards – cash flow hedges	<u>766</u>	<u>777</u>

Classification of derivatives

AASB1060(112)

Derivatives are only used for hedging purposes and not as speculative investments. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The group's accounting policy for its cash flow hedges is set out in [note 19\(p\)](#).

Interest rate swaps

AASB1060(120)(a),(b),(c)

The group's main interest rate risk arises from long-term borrowings with variable rates which expose the group to cash flow interest rate risk. The group hedges the exposure to interest rate risk by using floating-to-fixed interest rate swaps. Generally, the group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. The group's borrowings at variable rate were mainly denominated in Australian dollars and US dollars.

AASB1060(121)(a)

The hedged interest payments are contractually due and payable on a monthly basis over a period of five years from the reporting date. The gains and losses recognised in the hedging reserve ([note 8\(b\)](#)) on interest rate swaps as of 30 June 2021 will be reclassified to profit or loss in the period or periods during which the hedged interest payments take place.

AASB1060(115)

The group has determined the fair value of the interest rate swaps by calculating the present value of the estimated future cash flows based on observable yield curves for the particular currency. ^{5,6}

Foreign currency forwards

AASB1060(120)(a),(b),(c)

The group is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities denominated primarily in US dollars, which is not the functional currency of the relevant group entity. The group uses foreign currency forwards to hedge its exposure to foreign currency risk.

AASB1060(121)(a)

The hedged highly probable forecast inventory purchases denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve ([note 8\(b\)](#)) on foreign currency forwards as of 30 June 2021 will be included in the initial cost of the inventory when it is acquired, in line with the accounting policy in [note 19\(p\)](#).

AASB1060(115)

The group has determined the fair value of the foreign currency forwards by calculating the present value of future cash flows based on the observable forward exchange rates at the balance sheet date. ^{5,6}

Amounts recognised in profit or loss in other gains/(losses)

	2021 \$'000	2020 \$'000
AASB1060(122)(e)	41	(22)

Hedge ineffectiveness gain/(loss) on foreign currency forwards

(e) Trade and other payables

		2021 \$'000	2020 \$'000
AASB1060(44)(d)	Current liabilities		
AASB1060(113)(d)	Trade payables	10,000	8,231
	Payroll tax and other statutory liabilities	1,570	1,207
AASB1060(159)	Refund liabilities for volume discounts (see note 3(b)(ii))	490	235
	Other payables	3,700	2,050
		15,760	11,723

AASB1060(114) Trade payables are unsecured and are usually paid within 30 days of recognition.

(f) Borrowings

	2021			2020		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
AASB1060(44)						
	<i>Secured</i>					
	2,650	-	2,650	2,250	-	2,250
	4,250	57,115	61,365	5,015	72,600	77,615
	6,900	57,115	64,015	7,265	72,600	79,865
	<i>Unsecured</i>					
	1,500	-	1,500	730	-	730
	-	15,185	15,185	-	4,000	4,000
	1,500	15,185	16,685	730	4,000	4,730
AASB1060(113)(d)	Total borrowings	8,400	80,700	7,995	76,600	84,595

** Further information relating to loans from related parties is set out in note 16.

(i) Terms and conditions of long-term borrowings

AASB1060(114)

The group has two major secured long-term borrowings:

- A bank loan with a carrying amount of \$32,000,000 (2020 - 43,065,000) is repayable in monthly instalments until it matures in 2027 and bears fixed interest rate at 7.5% annually (2020 - 7.5% annually).
- A second facility for a total of \$25,000,000 was drawn down to \$17,685,000 (2020 - 20,300,000). This facility expires in 2026 and is repayable in full on that date. It bears a variable interest rate at 0.75% above the 90 day bank bill rate which, at the end of the reporting period was 0.25% (2020 - 1.25%).

The group is subject to externally imposed restrictions and must seek approval from the principal lending banks for any capital transactions that the group wishes to enter into that are in excess of \$12,000,000. Under the terms of the primary bank loan, VALUE ACCOUNTS Simplified Disclosure Pty Ltd must further meet the following financial ratios:

- debt will not, at any time, exceed 50% of total tangible assets, and
- borrowing costs will not exceed 50% of earnings before borrowing costs and taxation for each half-year period.

(ii) Secured liabilities and assets pledged as security

AASB1060(114),(117)

Of the bank loans, \$3,100,000 relate to transferred receivables (see note 6(b)(iii) above). The remaining bank loans and overdrafts are secured by first mortgages over the group's freehold land at carrying value of \$13,950,000 (2020 - \$11,200,000), certain of the group's buildings at carrying value of \$25,867,000 (2020 - \$23,000,000), which are classified as property, plant and equipment and the group's investment properties at carrying value of \$13,300,000 (2020 - \$10,050,000).

Financial assets and financial liabilities

Disclosing financial assets and financial liabilities in one note

- Users of financial report have indicated that they would like to be able to quickly access all of the information about the entity's financial assets and liabilities in one location in the financial report. We have therefore restructured our notes such that financial items and non-financial items are discussed separately. However, this is not a mandatory requirement in the accounting standards.

Accounting policies, estimates and judgements

- As explained on [page 27](#), in our view it is also helpful for readers of the financial report if information about accounting policies that are specific to the entity and about significant estimates and judgements is disclosed with the relevant line items, rather than in separate notes. However, this format is also not mandatory.

Disaggregation of balance sheet items

- AASB 1060 paragraph 35 sets out the minimum line items that should be presented in the balance sheet. Entities shall disclose further subclassifications of these line items, classified in a manner appropriate to the entity's operation, either in the balance sheet or in the notes. . More or less detailed information than illustrated in this note may be appropriate depending on the individual circumstances.

Disclosure of loss allowance

- AASB 1060 does not require separate disclosure of the loss allowance recognised in relation to financial assets. However, some users may find this information useful and VALUE ACCOUNTS Simplified Disclosure Pty has therefore included it on a voluntary basis. Depending on the individual circumstances, information about the amount of the loss allowance recognised in relation to the financial assets may also be necessary for an understanding of the financial statements as a whole and may therefore need to be provided in accordance with paragraph 91(c) of AASB 1060.

Disclosure of valuation techniques and assumptions in determining fair value

- Entities shall disclose the following for all financial assets and financial liabilities measured at fair value:
 - the basis for determining fair value (e.g. quoted market price in an active market or a valuation technique), and
 - when a valuation technique is used – the assumptions applied in determining fair value for each class of financial assets or financial liabilities (e.g. information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates).
- While AASB 1060 is not specific as to how much detail should be provided to satisfy these requirements, we have disclosed the actual assumptions used in circumstances where a valuation would be classified as 'level 3' under the principles used in AASB 13 *Fair Value Measurement*.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

- The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

Financial assets and liabilities at fair value through profit or loss (FVPL)

Issue not illustrated	Relevant disclosures or references
Disposal of financial assets at FVPL	Disclose the amounts of gains or losses on disposals.
Financial liabilities at FVPL	Disclose the carrying amount and amounts recognised in profit or loss

AASB1060(44)

AASB1060(91)(c)

AASB1060(115)

AASB1060(119)(a)

AASB1060(113)(c),
(119)(a)(ii)

Financial assets and financial liabilities

*Financial assets at fair value through other comprehensive income (FVOCI)*AASB1060(113)(e)(i),
(119)(a)(v),(c)**Issue not illustrated**

Investments in equity instruments designated at FVOCI in accordance with paragraph 5.7.5 of AASB 9

Relevant disclosures or references

Disclose separately carrying value at reporting date, income, expense, gains or losses, including changes in fair value, disposal gains/losses and impairment losses arising from these investments.

AASB1060(113)(e)(ii),
(119)(a)(vi),(c)

Financial assets measured at FVOCI in accordance with paragraph 4.1.2A of AASB 9

Disclose separately carrying value at reporting date, income, expense, gains or losses, including changes in fair value, disposal gains/losses and impairment losses arising from these investments, and amount reclassified upon derecognition from accumulated OCI to profit or loss.

Hedge instruments for which hedge accounting is applied

AASB1060(121)

Issue not illustrated

Fair value hedges

Relevant disclosures or references

Disclose the amounts of the changes in fair value of the hedging instrument and the hedged item recognised in profit or loss.

AASB1060(122)

Hedges of a net investment in a foreign operation

The disclosure requirement for net investment hedge is the same as that for cash flow hedges.

AASB1060(122)(b)

Hedge accounting had previously been used, but the hedged future cash flows are no longer expected to occur

Describe the forecast transaction.

Other financial instrument disclosures

AASB1060(118)

Issue not illustrated

Defaults and breaches in relation to financial liabilities

Relevant disclosures or references

Disclose the following if there is a breach of terms or a default of principal, interest, sinking fund or redemption terms that have not been remedied by the reporting date:

- details of that breach or default
- the carrying amount of the related loans payable at the reporting date, and
- whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

Separate note not mandatory

7 Non-financial assets and liabilities ^{1-3,9}

This note provides information about the group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
 - property, plant and equipment ([note 7\(a\)](#))
 - leases ([note 7\(b\)](#))
 - investment properties ([note 7\(c\)](#))
 - intangible assets ([note 7\(d\)](#))
 - deferred tax balances ([note 7\(e\)](#))
 - inventories ([note 7\(f\)](#))
 - other current assets and assets classified as held for sale ([note 7\(g\)](#))
 - employee benefit obligations ([note 7\(h\)](#))
 - provisions ([note 7\(i\)](#)).
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

(a) Property, plant and equipment ⁹

	Freehold land \$'000	Buildings \$'000	Furniture, fittings and equipment \$'000	Machinery and vehicles \$'000	Assets under construction \$'000	Total \$'000
Non-current						
At 1 July 2020						
AASB1060(134)(d) Cost	11,200	76,285	29,882	72,693	3,100	193,160
AASB1060(134)(d) Accumulated depreciation	-	(50,285)	(9,630)	(41,605)	-	(101,520)
AASB1060(44)(a) Net book amount	11,200	26,000	20,252	31,088	3,100	91,640
At 30 June 2021						
AASB1060(134)(e) Opening net book amount	11,200	26,000	20,252	31,088	3,100	91,640
AASB1060(134)(e)(iii) Acquisition of subsidiary	800	3,400	1,890	5,720	-	11,810
AASB1060(134)(e)(i) Additions	2,500	2,682	5,083	11,402	3,450	25,117
AASB1060(134)(e)(ii) Assets classified as held for sale and other disposals	(550)	-	(5,985)	(1,680)	-	(8,215)
AASB1060(134)(e)(viii) Transfers	-	-	950	2,150	(3,100)	-
AASB1060(134)(e)(vii) Depreciation charge	-	(1,750)	(2,340)	(4,380)	-	(8,470)
AASB1060(134)(e)(vi), (170)(a) Impairment loss (refer note 1)	-	(465)	(30)	(180)	-	(675)
AASB1060(134)(e) Closing net book amount	13,950	29,867	19,820	44,120	3,450	111,207
At 30 June 2021						
AASB1060(134)(d) Cost	13,950	82,367	31,790	90,285	3,450	221,842
AASB1060(134)(d) Accumulated depreciation and impairment	-	(52,500)	(11,970)	(46,165)	-	(110,635)
AASB1060(44)(a) Net book amount	13,950	29,867	19,820	44,120	3,450	111,207

(i) Non-current assets pledged as security

AASB1060(135)(a)

Refer to [note 6\(f\)\(ii\)](#) for information on non-current assets pledged as security by the group.

(a) Property, plant and equipment ⁹**(ii) Depreciation methods and useful lives ²**

AASB1060(134)(a)

All property, plant and equipment is recognised at historical cost less depreciation.

AASB1060(134)(b),(c)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Buildings 25-40 years
- Machinery 10-15 years
- Vehicles 3-5 years
- Furniture, fittings and equipment 3-8 years

Furniture, fittings and equipment include assets received in form of free office fit outs. These assets and other leasehold improvements are recognised at their fair value and depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

See [note 19\(r\)](#) for the other accounting policies relevant to property, plant and equipment.

(b) Leases ^{5,9}

This note provides information for leases where the group is a lessee. For leases where the group is a lessor, see [note 7\(c\)](#).

(i) Amounts recognised in the balance sheet

AASB1060(44)

The balance sheet shows the following amounts relating to leases:

	Notes	2021 \$'000	2020 \$'000
Right-of-use assets			
Buildings		3,846	2,994
Equipment		4,678	5,264
Vehicles		1,232	1,250
		<u>9,756</u>	<u>9,508</u>
Lease liabilities			
Current		3,008	2,777
Non-current		8,493	8,514
		<u>11,501</u>	<u>11,291</u>

AASB1060(144)(b)
Comparatives not
mandatory in first year

Future lease payments in relation to lease liabilities as at period end are as follows:

Within one year	2,911	2,348
Later than one year but not later than five years	8,248	9,260
Later than five years	2,340	2,017
	<u>13,499</u>	<u>13,625</u>

AASB1060(145),
(134)(e)(i)

Additions to the right-of-use assets during the 2021 financial year were \$2,152,000 (2020 – \$3,000,000). ⁴

(b) Leases ^{5,9}**(ii) Depreciation of right-of-use assets** ⁴AASB1060(145),
(134)(e)(vii)

The depreciation and amortisation disclosed in the statement of profit or loss includes the following amounts for right-of-use assets:

	2021 \$'000	2020 \$'000
Buildings	(348)	(366)
Equipment	(1,236)	(681)
Vehicles	(320)	(153)
	<u>(1,904)</u>	<u>(1,200)</u>

(iii) The group's leasing activities and how these are accounted for

AASB1060(144)(c)

The group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years

Extension and termination options, and residual value guarantees are included in a number of property and equipment leases of the group. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Some property and equipment lease payments contain variable lease payments that are linked to consumer price index and are included in the calculations of right-of-use assets and lease liabilities in relation to these leases.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

AASB1060(95)

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

AASB1060(146)(b)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture. Lease payments for short-term leases and leases of low-value assets amount to \$941,000 (2020 - \$750,000) are recognised as expenses in profit and loss.

See [note 19\(h\)](#) for the other accounting policies relevant to lease accounting.

(c) Investment properties ⁹**2021****\$'000****Non-current assets - at fair value**

AASB1060(132)(e)	Opening balance at 1 July	10,050
AASB1060(132)(e)(i)	Acquisitions	1,900
AASB1060(132)(e)(ii)	Net gain/(loss) from fair value adjustment	1,350
AASB1060(132)(e)	Closing balance at 30 June	13,300

AASB1060(95),(97)
(132)(a),(b)**(i) Significant estimate: measuring investment property at fair value**

The group owns freehold office buildings that are held to earn long-term rental income and for capital appreciation. The properties are not occupied by the group. They are carried at fair value which is determined annually by external, independent and qualified valuers.

The valuers use capitalised income projections based on estimated net market income and a capitalisation rate derived from an analysis of market evidence. Key inputs used in the valuations are the discount rate, terminal yield, capitalisation rate, expected vacancy rates and rental growth rates. The inputs are adjusted, if necessary, for any changes in economic circumstances between the measurement date and the reporting date. Changes in fair value are recognised in profit or loss.

AASB1060(132)(c)

(ii) Non-current assets pledged as security

Refer to **note 6(f)(ii)** for information on non-current assets pledged as security by the group.

AASB1060(148)(c)

(iii) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. The lease contracts include variable lease payments which are linked to consumer price index. The leases are under a term of 5 to 6 years and subject to renewal at the option of the tenants for another term of 5 to 6 years. There are no purchase options in the lease. To reduce credit risk, the group has obtained bank guarantees from the tenants for the terms of the leases.

AASB1060(148)(a)

Minimum lease payments receivable on leases of investment properties are as follows:

	2021 \$'000	2020 \$'000
Within one year	4,265	4,245
Later than one year but not later than 5 years	9,120	9,050
Later than 5 years	2,370	2,550
	15,755	15,845

(d) Intangible assets ⁹

	Goodwill \$'000	Patents, trademarks and other rights \$'000	Internally generated software \$'000	Customer contracts \$'000	Total \$'000
Non-current assets					
At 1 July 2020					
Cost	9,700	9,410	3,020	-	22,130
Accumulated amortisation and impairment	-	(775)	(410)	-	(1,185)
Net book amount	9,700	8,635	2,610	-	20,945
Year ended 30 June 2021					
Opening net book amount	9,700	8,635	2,610	-	20,945
Additions – internal development	-	-	735	-	735
Acquisition of business (note 10)	1,115	3,020	-	3,180	7,315
Impairment charge (iv)	(2,410)	-	-	-	(2,410)
Amortisation charge *	-	(525)	(300)	(1,210)	(2,035)
Closing net book amount	8,405	11,130	3,045	1,970	24,550
30 June 2021					
Cost	10,815	12,430	3,755	3,180	30,180
Accumulated amortisation and impairment	(2,410)	(1,300)	(710)	(1,210)	(5,630)
Net book amount	8,405	11,130	3,045	1,970	24,550

AASB1060(137)(d)

* Amortisation expenses are included in the statement of profit or loss in depreciation and amortisation expenses.

(i) Amortisation methods and useful lives

AASB1060(137)(a),(b)

The group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

- Patents, trademarks and licences 3-5 years
- IT development and software 3-5 years
- Customer contracts 1-3 years

See note 19(t) for the other accounting policies relevant to intangible assets, and note 19(j) for the group's policy regarding impairments.

(ii) Customer contracts

AASB1060(95)

The customer contracts were acquired as part of a business combination (see note 10 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

(d) Intangible assets

AASB1060(97)

(iii) Significant estimate: useful life of IT division's intangible assets

The group has recently completed the development of software that is used to analyse business processes by the IT consulting division. As at 30 June 2021, the carrying amount of this software was \$722,000 (2020 – nil). The group estimates the useful life of the software to be at least five years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than five years, depending on technical innovations and competitor actions.

AASB1060(97)

(iv) Significant judgement and estimate: impairment for goodwill - key assumptions used in value-in-use calculations ⁶⁻⁸

AASB1060(169)(a),170(c)

The impairment loss on goodwill recognised by the group in other expenses in the statement of profit or loss relates to its smartphones and tablets division and followed a decision to reduce the manufacturing output as a result of declining sales due to increased competition in this market.

The group tests annually whether goodwill has suffered any impairment. For the 2021 and 2020 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period. The group has used the following assumptions in the calculation of value-in-use:

- Sales growth rates over the five-year forecast period that are based on past performance and management's expectations of market development and include the renewal of certain key customer contracts.
- Sales price annual growth rates over the five-year forecast period that are based on current industry trends and including long-term inflation forecasts for each territory.
- Budgeted gross margin, other operating costs and annual capital expenditure that are based on past performance and management's expectations for the future.
- Pre-tax discount rates that reflect the specific risks relating to the relevant CGUs.

Cash flows beyond the five-year period are extrapolated using the long-term growth rates which are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The assumptions used for current reporting period may differ from the assumptions in the next reporting period as internal and external circumstances and expectations change. This may require further impairment write-downs or the reversal of previous write-downs as the case may be. In particular, the group has assumed sales growth rates of 2.5% for the smartphone and tablets division. If this growth rate was revised to 1.5% a further impairment loss of \$500,000 would need to be recognised against the carrying amount of property, plant and equipment.

(e) Deferred tax balances**(i) Deferred tax assets**

	Notes	2021 \$'000	2020 \$'000
The balance comprises temporary differences attributable to:			
Lease liabilities	7(b)	3,450	3,387
Tax losses		925	-
Provisions for warranties, restructurings, refunds, make good obligations and legal claims	7(i)	1,137	786
Employee benefits	7(h)	914	822
		6,426	4,995
<i>Other</i>			
Cash flow hedges	6(c)	230	234
Loss allowances for financial assets	6(b),(c)	212	121
Contingent liability	7(i)	143	-
Write-down of building	4	140	-
Refund liabilities	6(e)	148	71
Other		65	18
Subtotal other		938	444
Total deferred tax assets		7,364	5,439
Set-off of deferred tax liabilities pursuant to set-off provisions	(ii)	(7,364)	(5,439)
Net deferred tax assets		-	-

Significant estimates ³

The deferred tax assets include an amount of \$925,000 which relates to carried-forward tax losses of VALUE Electronics Pty Ltd. These losses were recognised on the acquisition of this entity, see [note 10](#). They were subsequently transferred to the head entity, VALUE ACCOUNTS Simplified Disclosure Pty Ltd when the acquired entity joined the tax consolidated group. The group expects to be able to recover these losses against taxable income over the following two to three years, subject to changes to the available fraction for transferred losses which could reduce the rate at which these losses can be utilised.

	Lease liabilities \$'000	Tax losses \$'000	Employee benefits \$'000	Pro-visions \$'000	Other \$'000	Total \$'000
Movements						
At 1 July 2019	2,889	-	791	610	275	4,565
(Charged)/credited						
- to profit or loss	498	-	31	176	-134	571
- to other comprehensive income	-	-	-	-	303	303
At 30 June 2020	3,387	-	822	786	444	5,439
(Charged)/credited						
- to profit or loss	63	(600)	(33)	351	222	3
- to other comprehensive income	-	-	-	-	77	77
- directly to equity	-	-	-	-	60	60
Acquisition of subsidiary	-	1,525	125	-	135	1,785
At 30 June 2021	3,450	925	914	1,137	938	7,364

(e) Deferred tax balances**(ii) Deferred tax liabilities**

	Notes	2021 \$'000	2020 \$'000
AASB1060(178)(e)(i)			
The balance comprises temporary differences attributable to:			
Property, plant and equipment	7(a)	938	993
Right-of-use assets	7(b)	2,927	2,852
Intangible assets	7(d)	2,375	770
Investment property	7(c)	1,124	719
		7,364	5,334
<i>Other</i>			
Financial assets at fair value through profit or loss	6(c)	804	441
Cash flow hedges	6(c)	138	243
Investments in associates	12(c)	90	78
Prepayments	7(g)	125	118
Inventories	7(f)	120	-
Other		23	11
Subtotal other		1,300	891
Total deferred tax liabilities		8,664	6,225
Set-off of deferred tax liabilities pursuant to set-off provisions	(i)	(7,364)	(5,439)
Net deferred tax liabilities		1,300	786

Offsetting within tax consolidated group

VALUE ACCOUNTS Simplified Disclosure Pty Ltd and its wholly-owned subsidiaries have applied the tax consolidation legislation, which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

	Property, plant and equipment \$'000	Right-of- use assets \$'000	Intangible assets \$'000	Invest- ment property \$'000	Other \$'000	Total \$'000
AASB1060(178)(e)(ii)						
Movements						
At 1 July 2019	770	2,312	615	300	822	4,819
Charged/(credited)						
- to profit or loss	223	540	155	419	(174)	1,163
- to other comprehensive income	-	-	-	-	243	243
At 30 June 2020	993	2,852	770	719	891	6,225
Charged/(credited)						
- to profit or loss	(379)	75	(255)	405	396	242
- to other comprehensive income	-	-	-	-	(107)	(107)
Acquisition of subsidiary	324	-	1,860	-	120	2,304
At 30 June 2021	938	2,927	2,375	1,124	1,300	8,664

(f) Inventories ⁹

		2021 \$'000	2020 \$'000
AASB1060(44)(c),(123)(b)	Current assets		
	Raw materials	6,200	4,800
	Work in progress	5,600	5,400
	Finished goods	10,353	9,472
		22,153	19,672

(i) Assigning costs to inventories

AASB1060(123)(a) The costs of individual items of inventory are determined using weighted average costs. See [note 19\(m\)](#) for the group's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

AASB1060(123)(c) Inventories recognised in the statement of profit or loss during the year ended 30 June 2021 included a credit of \$6,681,000 (2020 – \$5,255,000) recognised as changes in inventories of finished goods and work in progress, an expense of \$62,218,000 (2020 – \$54,108,000) recognised as raw materials and consumables used and \$535,000 of inventories damaged by a fire recognised in other expense ([note 1](#)).

AASB1060(123)(d) During the year ended 30 June 2021, the group wrote down inventories to net realisable value by \$950,000 (2020 – \$750,000) and reversed \$60,000 (2020 – \$0) of a previous written down inventory. These amounts were recognised in finished goods and work in progress in the statement of profit or loss.

(g) Assets classified as held for sale

		2021 \$'000	2020 \$'000
AASB1060(44)	Non-current assets held for sale		
	Land	250	-
		250	-

(i) Land held for sale

AASB1060(47)(a),(b) In May 2021, the directors of VALUE Manufacturing Pty Ltd decided to sell a parcel of vacant land which was originally acquired for an expansion of the smartphones and tablets manufacturing division. There are several interested parties and the sale is expected to be completed before the end of December 2021.

Refer to [note 11\(c\)](#) for information about assets and liabilities of a disposal group that were classified as held for sale at 30 June 2020.

(h) Employee benefit obligations

		2021			2020		
		Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
AASB1060(44)	Leave obligations (i)	690	2,220	2,910	470	2,270	2,740
AASB1060(168)(b)	Cash-settled share-based payment obligations (ii)	-	138	138	-	-	-
		690	2,358	3,048	470	2,270	2,740

(i) Leave obligations

AASB1060(95) The leave obligations cover the group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in [note 19\(y\)](#).

(h) Employee benefit obligations**(i) Cash-settled share-based payment obligations**

AASB1060(164)

In February 2021, VALUE ACCOUNTS Simplified Disclosure Pty Ltd decided to reward divisional managers for their contribution to the performance of the group by granting them 200,000 share appreciation rights (SARs) in relation to the shares of its ultimate listed parent entity, Lion Plc. The rights entitle the employees to a cash payment after three years of service. The amount payable will be determined based on the increase of Lion Plc's share price between the grant date (25 February 2021: GBP 5.43) and the vesting date (24 February 2024). The rights must be exercised on vesting date and will expire if not exercised at on that date.

AASB1060(166)

The fair value of the SARs as at the reporting date was determined using the Black-Scholes model and the share price, expected volatility, dividend yield and a risk-free interest rate as at the measurement date.

AASB1060(168)(a)

The group recognised expenses of \$138,000 in relation to the SARs during the current reporting period (2020 – \$ nil).

(iii) Amounts recognised in profit and loss in relation to defined contribution plans

AASB1060(172)

The group has recognised expenses of \$2,425,000 in the current period (2020 – \$2,075,000) in relation to defined contribution plans which are included in employee benefit expenses in the statement of profit or loss and other comprehensive income.

(iv) Termination benefits

AASB1060(174),(175)

Refer to **note 7(i)** for information about termination benefits included in the restructuring provision recognised as at 30 June 2021.

(i) Provisions ⁹

Not mandatory

	2021			2020		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Make good provision (i)	225	1,573	1,798	-	1,382	1,382
Restructuring costs (i)	900	-	900	-	-	-
Service warranties (i)	635	-	635	920	-	920
Legal claim (i)	460	-	460	320	-	320
Contingent liability (note 10)	477	-	477	-	-	-
	2,697	1,573	4,270	1,240	1,382	2,622

(i) Information about individual provisions and significant estimates**Make good provision**

AASB1060(153)(b),(c)

The group is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

Restructuring including termination benefitsAASB1060(153)(b),(c),
(174),(175)

The reduction in output in the smartphones and tablets division (see **note 7(d)** above) resulted in the loss of 155 jobs at two factories. An agreement was reached with the local union representatives in April 2021, which specifies the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant. The total estimated staff restructuring costs to be incurred are \$1,050,000. Other direct costs attributable to the restructuring, including costs incurred in relation to the cancellation of supply contracts, are \$327,000. These costs were fully provided for in the current reporting period. The remaining provision of \$900,000 is expected to be fully utilised over the next 12 months. \$350,000 of this provision relates to termination benefits.

(i) Provisions⁹*Service warranties*

AASB1060(153)(b),(c)

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year.

Significant estimates³

AASB1060(153)(c)

The group generally offers 12-month warranties for its personal computer products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current period are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the group's productivity and quality initiatives, as well as parts and labour costs. As at 30 June 2021, this particular provision had a carrying amount of \$330,000 (2020 - \$450,000). If claims costs were to differ by 10% from management's estimates, the warranty provisions would be an estimated \$33,000 higher or lower (2020 - \$45,000 higher/lower).

Legal claim

AASB1060(153)(b),(c)

In April 2021, an unfavourable judgment was handed down against the group in respect of a legal claim made by a customer of the IT consulting division. However, after taking appropriate legal advice, the directors have decided to appeal against the decision. No payment has been made to the claimant pending outcome of the appeal. If upheld, payment of \$860,000 will be required. The recognised provision reflects the directors' best estimate of the most likely outcome. The court of appeal is expected to consider this matter in February 2022.

See [note 19\(x\)](#) for the group's other accounting policies relevant to provisions.

(ii) Movements in provisions

AASB1060(135)(a)

Movements in each class of provision during the financial year are set out below:

	Make good provision \$'000	Restruc- turing obligations \$'000	Service warran- ties \$'000	Contin- gent liability \$'000	Legal claim \$'000	Total \$'000
2021						
AASB1060(153)(a)(i) Carrying amount at start of year	1,382	-	920	-	320	2,622
AASB1060(153)(a)(ii) Acquired through business combination	-	-	-	450	-	450
AASB1060(153)(a)(ii) Additional provision charged to plant and equipment	350	-	-	-	-	350
Charged/(credited) to profit or loss						
AASB1060(153)(a)(ii) - additional provisions recognised	-	1,377	268	-	140	1,785
AASB1060(153)(a)(iv) - unused amounts reversed	-	-	(330)	-	-	(330)
AASB1060(153)(a)(ii) - unwinding of discount	66	-	-	27	-	93
AASB1060(153)(a)(iii) Amounts used during the year	-	(477)	(223)	-	-	(700)
Carrying amount at end of year	1,798	900	635	477	460	4,270

Non-financial assets and liabilities

Disclosing non-financial assets and non-financial liabilities in one note

1. Users of financial report have indicated that they would like to be able to quickly access all of the information about the entity's financial assets and liabilities in one location in the financial report. We have therefore restructured our notes such that financial items and non-financial items are discussed separately. However, this is not a mandatory requirement in the accounting standards.

Disaggregation of information notes

2. AASB 1060 paragraph 35 sets out the minimum line items that should be presented in the balance sheet. Entities shall disclose further subclassifications of these line items, classified in a manner appropriate to the entity's operation, either in the balance sheet or in the notes. More or less detailed information than illustrated in this note may be appropriate depending on the individual circumstances.

Accounting policies, estimates and judgements

3. As explained on [page 27](#), in our view it is also helpful for readers of the financial report if information about accounting policies that are specific to the entity and about significant estimates and judgements is disclosed with the relevant line items, rather than in separate notes. However, this format is also not mandatory.

Comparative disclosures not required under certain circumstances

4. As explained in the commentary to [Appendix A](#) on page 124, entities that are applying AASB 1060 for the first time for a financial reporting period beginning before 1 July 2021 and that have previously prepared special purpose financial statements or general purpose financial statements (GPFS) under the reduced disclosure regime (RDR) do not need to present comparative information in the notes of the financial statements if they did not previously disclose this information in their financial statements. We have assumed that VALUE ACCOUNTS Simplified Disclosure Pty Ltd has previously prepared RDR GPFS and has therefore disclosed most of the information in prior years. However, if there are disclosures that were not required for RDR entities, comparatives could be omitted in the first year of applying AASB 1060. We have indicated with shading in this publication where this is the case.

Leasing disclosures for right-of-use assets

5. AASB 1060 only requires disclosure of depreciation expense and additions to right-of-use assets, but not of a full reconciliation of the right-of-use assets held. However, additional disclosures may be necessary to explain significant changes in the amounts of right-of-use assets, for example as a result of foreign exchange movements or modifications to lease agreements.

Impairment testing and disclosure of significant estimates

6. AASB 1060 requires an entity to disclose information about the key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Entities must also disclose nature of the assets and liabilities that are affected by the estimation uncertainty and their carrying amount as at the end of the reporting period.
7. Impairment calculations will often involve significant estimates and judgements which may need to be explained, as they can have a material impact on the carrying amounts of the assets. This applies in particular to the annual impairment test of goodwill or intangible assets with an indefinite useful life. In relation to impairment, an entity may describe how they have measured the recoverable amount, what key assumptions were made in that calculation and possibly also the sensitivity of the carrying amounts to changes in the assumptions.
8. However, AASB 1060 does not prescribe how much detail needs to be provided and it will therefore depend on the individual circumstances of the entity as to how much information is necessary and appropriate. Most importantly, the disclosures should be entity specific and describe the nature of the uncertainty and the key assumptions that are relevant and provide users with sufficient context to make their own assessments about the potential impact on the financial statements.

AASB1060(44)

AASB1053(E4)

AASB1060(145),
(134)(e)(i),(vii),(91)(c)

AASB1060(97)

Non-financial assets and liabilities

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

9. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

Property, plant and equipment and investment property at cost

AASB1060(134)(e)(iv),(136)

Issue not illustrated	Relevant disclosures or references
Revaluation of property, plant and equipment	Disclose the amount of increase or decrease from revaluations in the reconciliation in note 7(a). Disclose also the following: • effective date of the revaluation • whether an independent valuer was involved • methods and significant assumptions applied in estimating the items' fair values, and • revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.
Fair value of investment property at cost cannot be reliably measured	Disclose that fact and the reasons why fair value cannot be measured reliably.

AASB1060(135)(c)

Leases

AASB1060(144)(a)

Issue not illustrated	Relevant disclosures or references
Right-of-use assets included in the same balance sheet line item as the corresponding underlying assets	Disclose the net carrying value of the right-of-use assets for each class of underlying assets in which the right-of-use asset is included at the end of the reporting period.
Sale and leaseback transactions as lessees or lessors	Describe significant leasing arrangements including unique or unusual provisions of the agreement or terms of the sale and leaseback transactions. Provide the same disclosure as for other leases as lessee or lessor.
Sub-leasing of right-of-use assets	Describe the sub-lease arrangement.
Portfolio of short-term leases at the end of the reporting period is dissimilar to the portfolio of short-term leases held during the year	Disclose the amount of lease commitments for short-term leases that are recognised as expenses.
Right-of-use assets that meet the definition of investment property	Must be presented as investment property. Apply the disclosure requirements of paragraphs 144 and 146 of this standard, which are applicable to lessees.
Right-of-use assets are measured at revalued amount	Provide the disclosures required by paragraph 136 of this standard, which is applicable to property, plant and equipment at revalued amount.

AASB1060(133)

AASB1060(145)

Non-financial assets and liabilities

AASB1060(147)

Issue not illustrated

The entity is a lessor with finance leases

Relevant disclosures or references

Disclose the following:

- a reconciliation between the gross investment in the lease at the end of the reporting period and the present value of lease payments receivable at the end of the reporting period
- gross investment in the lease and the present value of lease payments receivable at the end of the reporting period for each of the following periods:
 - not later than one year,
 - later than one year and not later than five years, and
 - later than five years.
- unearned finance income
- the unguaranteed residual values accruing to the benefit of the lessor
- the loss allowance for uncollectable lease payments receivable
- income relating to variable lease payments not included in the measurement of the net investment
- a general description of the lessor's significant leasing arrangements, including, for example, information about variable lease payments, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements

AASB1060(148)(b)

The entity is a lessor with operating leases which contain variable lease payments that do not depend on an index or a rate and are recognised as income

Disclose the total variable lease payments that do not depend on an index or a rate and are recognised as income.

AASB1060(151),(152)

Not-for-profit lessee having leases with significantly below-market terms and conditions principally to enable the entity to further its objectives, and where the entity elects to measure a class or classes of right-of-use assets at initial recognition at cost

Disclose the entity's dependence on these leases and the nature and terms of the leases, including the following:

- the lease payments,
- the lease term,
- a description of the underlying assets, and
- restrictions on the use of the underlying assets specific to the entity.

The above information should be disclosed individually for each material lease or in aggregate for leases involving right-of-use assets of a similar nature. An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.

Non-financial assets and liabilities

AASB2020-7
AASB1060(146A)

Issue not illustrated

The entity has received COVID-19 related rent concessions and has applied the practical expedient introduced in May 2020 and extended in April 2021.

Relevant disclosures or references

Disclose that the practical expedient has been applied to all qualifying rent concessions, or if not applied to all such rent concessions, then disclose information about the nature of the contracts to which it has been applied, and the amount recognised in profit or loss. See PwC In-depth INT2020-05.

Investment property at fair value

AASB1060(132)(e)(iii),
(iv),(v)

Issue not illustrated

Other changes in carrying value of investment property including the following:

- transfers to and from investment property carried at cost less accumulated depreciation and impairment
- transfers to and from inventories and owner-occupied property, and
- other changes

Relevant disclosures or references

Disclose the amounts in the reconciliation of carrying value at beginning and end of the reporting period.

AASB1060(132)(b)

Fair value of investment property is not based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property being valued

Disclose that fact.

Intangible assets

AASB1060(137)(e)(ii),(vi),
(vii),(143)(c),(d)

Issue not illustrated

Other changes in carrying value of intangible assets including the following:

- assets classified as held for sale or included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals
- reversal of impairment losses
- foreign exchange difference
- disposals of previously acquired businesses;

Relevant disclosures or references

Disclose the amounts in the reconciliation of carrying value at beginning and end of the reporting period.

AASB1060(141)

Intangible assets with indefinite useful lives

Disclose the carrying amount and factors that have played a significant role in assessing that the assets have an indefinite useful life.

AASB1060(138)(a)

Individually material intangible assets

Describe the assets and disclose the carrying amount and remaining amortisation period.

AASB1060(138)(b)

Intangible assets acquired by way of government grant and initially recognised at fair value

Disclose the fair value initially recognised, the current carrying amount.

AASB1060(138)(c)

Intangible assets with restricted title and/or pledged as security for liabilities

Disclose existence and carrying amounts.

Non-financial assets and liabilities

AASB1060(137)(e)(iv),(140)

Issue not illustrated	Relevant disclosures or references
Intangible assets measured under the revaluation model	Disclose the increases or decreases resulting from revaluations and from impairment losses recognised or reversed in the reconciliation of carrying value at beginning and end of the reporting period. In addition, disclose the following: • effective date of the revaluation, • whether an independent valuer was involved, • methods and significant assumptions applied in estimating the items' fair values, and • revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

Other non-financial assets and liabilities

AASB1060(123)(e)

Issue not illustrated	Relevant disclosures or references
Inventories	Disclose the amount of inventories pledged as security for liabilities.

AASB1060(124)

Inventories of not-for-profit entities	Additionally disclose the basis on which any loss of service potential of inventories held for distribution is assessed, or the bases when more than one basis is used.
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AASB1060(165)

The entity has equity-settled share-based payment arrangements	Disclose how the entity has determined the fair value of goods or services received or the value of the equity instruments granted. If a valuation methodology was used, disclose the method and the reason for choosing it.
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AASB1060(167)

The entity has share-based payment arrangements that were modified during the period	Explain the modifications.
--	----------------------------

AASB1060(172)

An entity accounts for a defined benefit multi-employer plan as a defined contribution plan because sufficient information is not available to use defined benefit accounting	Disclose this fact and the reason why sufficient information is not available to use defined benefit accounting, along with any available information about the plan's surplus or deficit and the implications, if any, for the entity.
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AASB1060(173)

The entity has a defined benefit superannuation plan	See Appendix A for an illustration of the disclosures.
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AASB1060(153)(d)

Expected reimbursement for provision made	For each class of provision, disclose the amount of any expected reimbursement and the asset and amount recognised for that expected reimbursement.
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8 Equity ⁵

(a) Contributed equity

AASB1060(45)(a)(ii),(iv),
(44)(f)

(i) Movements in ordinary fully paid shares:

Details	Notes	Number of shares	Total \$'000
Balance 1 July 2019 and 1 July 2020		54,793,075	62,619
Share issue	(ii)	1,606,820	10,410
Acquisition of subsidiary	10	1,698,261	14,816
		<u>58,098,156</u>	<u>87,845</u>
Less: Transaction costs arising on share issues		-	(200)
Deferred tax credit recognised directly in equity		-	60
Balance 30 June 2021		<u>58,098,156</u>	<u>87,705</u>

(ii) Ordinary shares

AASB1060(45)(a)(v)

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

AASB1060(45)(a)(i),(iii)

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(b) Hedging reserve

AASB1060(45)(b)

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in [note 19\(p\)](#). Amounts are subsequently either transferred to the initial cost of inventory or reclassified to profit or loss as appropriate.

(c) Franked dividends ¹

The franked portions of the final dividends recommended after 30 June 2021 will be franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2022.

AASB1060(101)
Comparatives not
mandatory in first year

	Consolidated	
	2021 \$'000	2020 ²⁻⁴ \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2020 - 30%)	<u>20,531</u>	<u>15,480</u>

AASB1060(102)

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

Equity

Franking credits

AASB1060(100)-(102)

- AASB 1060 does not specify whether the disclosure of franking credits available for use in subsequent reporting periods should be made on a consolidated basis or for the parent entity only. The amounts will be the same where all entities are members of the tax consolidated group, as there is only one franking account for the group. However, if there are subsidiaries that are not in the tax consolidated group, we believe that both amounts should be disclosed, as it is the parent entity that will be declaring the dividends in the first place, but the consolidated amounts show the total amount of franking credits available if distributable profits of subsidiaries were paid as dividends.

Equity

Comparatives

AASB1053(E4)

2. As explained in the commentary to [Appendix A](#) on page 124, entities that are applying AASB 1060 for the first time for a financial reporting period beginning before 1 July 2021 and that have previously prepared special purpose financial statements or general purpose financial statements (GPFS) under the reduced disclosure regime (RDR) do not need to present comparative information in the notes of the financial statements if they did not previously disclose this information in their financial statements.

3. We have assumed that VALUE ACCOUNTS Simplified Disclosure Pty Ltd has previously prepared RDR GPFS and has therefore disclosed most of the information in prior years. However, if there are disclosures such as the franking credit disclosures that were not required for RDR entities, comparatives could be omitted in the first year of applying AASB 1060. We have indicated with shading in this publication where this is the case.

AASB1054(13)
AASB1057(7)

4. Entities that have previously prepared special purpose financial statements were required to disclose franking credits, as they had to comply with all of AASB 1054 *Australian Additional Disclosures*. These entities will therefore need to include comparative information in their first GPFS financial statements.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

5. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

AASB1060(45)(a)(ii)

AASB1060(45)(a)(vi)

AASB1060(45)(a)(vii)

AASB1060(46)

AASB1060(180)(b)

Issue not illustrated	Relevant disclosures or references
Partly paid shares	Disclose the number of shares that are issued but not fully paid.
Shares in the entity held by the entity or by its subsidiaries or associates	Disclose which classes of shares these shares are included.
Shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts	Disclose which classes of shares these shares are included.
Entities without share capital	Disclose information equivalent to that required for entities having share capital.
Foreign exchange differences classified in a separate component of equity at the end of the period	Disclose the amount arising during the period

9 Cash flow information

(a) Non-cash investing and financing activities

	2021 \$'000	2020 \$'000
Acquisition of office fit outs from lessor as lease incentive (note 7(a))	-	950

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets – [note 7\(b\)](#)
- partial settlement of a business combination through the issue of shares – [note 10](#), and
- deferred settlement of part proceeds of the sale of VALUE Equipment Hire Pty Ltd – [note 11](#).

Group structure

Not mandatory

This section provides information which will help users understand how the group structure affects the financial position and performance of the group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation, and
- interests in associates.

A list of significant subsidiaries is provided in note 12. This note also discloses details about the group's equity accounted investments.

10	Business combination	68
11	Discontinued operation	69
12	Interests in other entities	71

10 Business combination

(a) Summary of acquisition

AASB1060(142)(a)-(e)

On 1 October 2020 the parent entity acquired 100% of the issued share capital of VALUE Electronics Pty Ltd, a manufacturer and distributor of peripheral equipment. The acquisition has significantly increased the group's market share in this industry and complements the group's existing IT consultancy division.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

		\$'000
AASB1060(142)(d)	Purchase consideration (refer to (b) below):	
	Cash paid	4,340
	Ordinary shares issued	14,816
	Contingent consideration	135
	Total purchase consideration	<u>19,291</u>
AASB1060(142)(e)	The assets and liabilities recognised as a result of the acquisition are as follows:	
		Fair value \$'000
	Cash	1,550
	Trade receivables	780
	Inventories	840
	Property, plant and equipment	11,810
	Deferred tax asset	1,785
	Intangible assets: trademarks	3,020
	Intangible assets: customer contracts	3,180
	Trade payables	(470)
	Provision for employee benefit obligations	(415)
	Bank overdraft	(1,150)
AASB1060(142)(e)	Contingent liability	(450)
	Deferred tax liability	<u>(2,304)</u>
	Net identifiable assets acquired	18,176
AASB1060(142)(e)	Add: goodwill	<u>1,115</u>
	Net assets acquired	<u>19,291</u>

AASB1060(142)(g)

The goodwill is attributable to the workforce and the high profitability of the acquired business.

AASB1060(20)

There were no acquisitions in the year ending 30 June 2020.

AASB1060(97)

(i) Significant estimate: contingent consideration

In the event that certain pre-determined sales volumes are achieved by the subsidiary for the year ended 30 June 2021, additional consideration of up to \$1,000,000 may be payable in cash on 1 March 2022.

The potential undiscounted amount payable under the agreement is between \$0 for sales below \$10,000,000 and \$1,000,000 for sales above \$18,000,000. The fair value of the contingent consideration of \$135,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 6% and assumed probability-adjusted sales of VALUE Electronics Pty Ltd of between \$12,000,000 and \$12,500,000.

As at 30 June 2021, the contingent consideration has been derecognised, as the actual sales revenue achieved by VALUE Electronics Pty Ltd was below \$10,000,000. A gain of \$135,000 was included in other income.

(a) Summary of acquisition

AASB1060(96)

(ii) Significant judgement: contingent liability

A contingent liability of \$450,000 was recognised on the acquisition of VALUE Electronics Pty Ltd for a pending lawsuit in which the entity is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by December 2021. The potential undiscounted amount of all future payments that the group could be required to make, if there was an adverse decision related to the lawsuit, is estimated to be between \$250,000 and \$700,000. As at 30 June 2021, there has been no change in the amount recognised for the liability in October 2020 (except for the unwinding of the discount of \$27,000), as there has been no change in the probability of the outcome of the lawsuit.

Business combination**Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd**

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

AASB1060(142)(f)

AASB1060(142)(h)

Issue not illustrated	Relevant disclosures or references
The entity has made a bargain purchase	Disclose the amount of gain and in which line item in profit or loss it is recognised.
The entity has acquired less than 100% of the equity interests in the acquiree	Disclose the amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount. This disclosure requirement is illustrated in Appendix A.

11 Discontinued operation**(a) Description**

AASB1060(47)(b)

On 30 April 2020 the directors decided to sell VALUE Equipment Hire Pty Ltd and initiated an active program to locate a buyer and complete the sale. The associated assets and liabilities were consequently presented as held for sale in the 2020 financial statements.

The subsidiary was sold on 31 August 2020 with effect from 1 September 2020 and is reported in the current period as a discontinued operation.

AASB1060(90),(91)(c)

The gain from discontinued operations presented in the statement of profit or loss and other comprehensive income relates to: ^{1,2}

	2021 \$'000	2020 \$'000
Profit after tax from discontinued operation	246	399
Gain on sale of the subsidiary after income tax	651	-
	897	399

(b) Details of the sale of the subsidiary

AASB1060(91)(c)

In the event the operations of the subsidiary achieve certain performance criteria during the period 1 September 2020 to 31 August 2022, as specified in an 'earn out' clause in the sale agreement, additional cash consideration of up to \$2,400,000 will be receivable. At the time of the sale the fair value of the consideration was determined to be \$1,200,000. It has been recognised as a financial asset at fair value through profit or loss (see [note 6\(c\)](#)).

At year end, the fair value was re-estimated to be \$1,290,000. The gain of \$90,000 is presented in discontinued operations net of related income tax.

(c) Assets and liabilities of disposal group classified as held for sale

AASB1060(47)(a)

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2020:

	2021	2020
	\$'000	\$'000
Assets classified as held for sale		
Property, plant and equipment	-	1,995
Trade receivables	-	1,570
Inventories	-	1,390
Total assets of disposal group held for sale	<u>-</u>	<u>4,955</u>
Liabilities directly associated with assets classified as held for sale		
Trade creditors	-	(450)
Provision for employee benefits	-	(50)
Total liabilities of disposal group held for sale	<u>-</u>	<u>(500)</u>

Discontinued operation

AASB1060(90),(91)(c)

1. While AASB 1060 does not require a breakdown of the single amount presented in the statement of profit or loss and other comprehensive income in relation to discontinued operations, such a disaggregation may sometimes be necessary for an understanding of the entity's financial performance, in particular where the discontinued operations make up a material portion of the entity's existing operations.
2. Depending on the circumstances, it may be sufficient to disclose separately the profit or loss after tax attributable to the discontinued operations and the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operation, as is done by VALUE ACCOUNTS Simplified Disclosure Pty Ltd. However, more detail may be needed under certain circumstances.

12 Interests in other entities ³

(a) Material subsidiaries

AASB1060(192)

The group's principal subsidiaries at 30 June 2021 are set out below. They have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Principal activities
		2021	2020	
		%	%	
VALUE Consulting Pty Ltd	Australia	100	100	IT consulting
VALUE Manufacturing Pty Ltd	Australia	100	100	Computer equipment, smartphones and tablets manufacture
VALUE Electronics Pty Ltd	Australia	100	-	Computer equipment manufacture; see note 10
VALUE Equipment Hire Pty Ltd	Australia	-	100	Equipment hire; see note 11

(b) Significant restrictions on subsidiaries

AASB1060(104)(d)

Cash and short-term deposits held in VALUE Manufacturing Pty Ltd are subject to loan covenant requirement in maintaining current assets which restricts the ability of Value Manufacturing Pty Ltd to transfer funds to the parent in the form of cash dividends or to repay loans.

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is \$650,000 (2020 – \$410,000).

(c) Interests in associates ¹

AASB1060(91)(c)

As at 30 June 2021, the group held 25% of the ordinary shares in Big Hide Pet Ltd (2020 – 25%), a company incorporated in Australia and listed on the Australian Stock Exchange. The group has determined that it has significant influence over Big Hide Pet Ltd and is therefore equity-accounting its investment.

AASB1060(125)(b),(c)

As at 30 June 2021, the fair value of the group's investment in the associate which is based on its market price quoted on the Australian Stock Exchange was \$3,800,000 (2020: \$3,780,000) and the carrying amount of the investment was \$3,340,000 (2020: \$3,160,690).

The amount presented in the statement of profit or loss and other comprehensive income in relation to the investment in the associate relates to:

	2021 \$'000	2020 \$'000
AASB1060(127) Group's share of the profit or loss of the associate	340	312
AASB1060(127) Group's share of a discontinued operation of the associate	-	43 ²
Comparatives not mandatory in first year		

Interests in other entities

AASB1060(91)(c)

1. AASB 1060 does not require the disclosure of information about the entity's investments in associates such as their name, ownership interest held or place of business. However, where an entity's investments in associates are material to the overall financial position and performance, the entity should consider whether some of this information may be necessary for an understanding of the financial statements. **Note 12(c)** shows what an entity could disclose in this case, but it will depend on the individual circumstances as to how much detail is required.

Comparatives

2. As explained in the commentary to **Appendix A** on page 124, entities that are applying AASB 1060 for the first time for a financial reporting period beginning before 1 July 2021 and that have previously prepared special purpose financial statements or general purpose financial statements (GPFS) under the reduced disclosure regime (RDR) do not need to present comparative information in the notes of the financial statements if they did not previously disclose this information in their financial statements. We have assumed that VALUE ACCOUNTS Simplified Disclosure Pty Ltd has previously prepared RDR GPFS and has therefore disclosed most of the information in prior years. However, if there are disclosures that were not required for RDR entities, comparatives could be omitted in the first year of applying AASB 1060. We have indicated with shading in this publication where this is the case.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

3. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

Issue not illustrated	Relevant disclosures or references
The parent does not own, directly or indirectly through subsidiaries, more than half of the voting power	Disclose the basis for concluding that control exists.
Subsidiaries with different reporting dates	Disclose the reporting date.
Investments in joint ventures	Disclosures for investments in joint ventures are illustrated in Appendix A .
Investments in associates accounted for under the cost model	Disclose the amount of dividends and other distributions recognised as income.
Interests in associates and joint ventures classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income in accordance with AASB 9	Follow the same disclosure requirements of financial assets as stated in paragraphs 113–115 of AASB 1060.

AASB1060(104)(b)

AASB1060(104)(c)

AASB1060(129),(130),
(131)

AASB1060(126)

AASB1060(128),(131)

Unrecognised items

Not mandatory

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

- (a) Unrecognised tax amounts – see [note 5](#)
- (b) Non-cash investing and financing transactions – see [note 9\(a\)](#).

13	Contingent liabilities and contingent assets	74
14	Commitments	75
15	Events occurring after the reporting period	75

Unrecognised items

1. There is no requirement to highlight separately any unrecognised items. However, we believe that this information is useful for users in assessing the financial performance and position of the group.

13 Contingent liabilities and contingent assets ¹

(a) Contingent liabilities

The group had contingent liabilities at 30 June 2021 in respect of:

(i) Claims

AASB1060(154)

A claim for unspecified damages was lodged against VALUE Consulting Pty Ltd in June 2020 in relation to alleged non-performance under a sales contract. The company has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim, but legal advice indicates that it is not probable that a material liability will arise.

In March 2021, a claim was lodged against VALUE Manufacturing Pty Ltd asserting that the entity had breached certain registered patents of a competitor. The matter is currently being considered by the courts, and the group expects judgment before the end of December 2021. The group considers it to be probable that the judgment will be in its favour and has therefore not recognised a provision in relation to this claim. The potential undiscounted amount of the total payments that the group could be required to make, if there was an adverse decision related to the lawsuit, is estimated to be approximately \$250,000.

(b) Contingent assets

AASB1060(155)

A subsidiary has lodged a claim against a supplier for damages caused by the supply of faulty products. The matter has been referred to arbitration and, having received legal advice, the directors believe that a favourable outcome is probable. The claim is estimated to be approximately \$150,000. However, the contingent asset has not been recognised as a receivable at 30 June 2021 as receipt of the amount is dependent on the outcome of the arbitration process.

Contingent liabilities and contingent assets

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

Issue not illustrated	Relevant disclosures or references
Information cannot be disclosed because it is impracticable to do so	Disclose the fact.
Disclosure of information can be expected to seriously prejudice the position of the entity	Disclose the general nature of the dispute together with the fact that, and the reasons why, the information has not been disclosed.

AASB1060(154)

AASB1060(156)

14 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

		2021 \$'000	2020 \$'000
AASB1060(135)(b)	Property, plant and equipment	4,200	800
AASB1060(132)(d),(135)(b)	Investment property	520	1,250
AASB1060(138)(d)	Intangible assets	450	-

(b) Repairs and maintenance: investment property

		2021 \$'000	2020 \$'000
AASB1060(132)(d)	Contractual obligation for future repairs and maintenance – not recognised as a liability	540	389

15 Events occurring after the reporting period

(a) Acquisition of Better Manufacturing Limited

AASB1060(187)(a),(188)(a) On 15 August 2021, VALUE ACCOUNTS Simplified Disclosure Pty Ltd acquired 87.5% of the issued shares in Better Manufacturing Limited, a manufacturer of IT equipment, for consideration of \$12,030,000. The acquisition is expected to increase the group's market share and reduce cost through economies of scale.

The financial effects of this transaction have not been recognised at 30 June 2021. The operating results and assets and liabilities of the acquired company will be consolidated from 15 August 2021.

The group estimates that the acquisition will result in the recognition of goodwill of approximately \$1,400,000 which is attributable to Better Manufacturing Limited's strong position and profitability in trading in the IT equipment market and synergies expected to arise after the company's acquisition of the new subsidiary.

The purchase price includes contingent consideration which is depending on the profits achieved by Better Manufacturing in the year ending 30 June 2022. The maximum undiscounted amount payable under this arrangement is \$800,000 and the fair value as at the date of acquisition is estimated to be approximately \$280,000.

(b) Refinancing of borrowing

AASB1060(187)(a),(b) At the beginning of August 2021, the group renegotiated its existing loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility was increased by \$20,000,000, which is expected to be drawn down over the next 12 months. The facility is now repayable in three annual instalments, commencing 1 November 2026. The refinancing resulted in the recognition of a modification gain of \$80,000 which will be recognised in profit or loss in the 2022 financial year.

Further details

Not mandatory

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

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16 Related party transactions ^{1,2,3,8,12}

(a) Parent entities

AASB1060(192)

The group is controlled by the following entities:

Name	Type	Ownership interest	
		2021	2020
Lion Immediate Plc	Immediate parent entity	100%	100%
Lion Plc	Ultimate parent entity and controlling party	100%	100%

* Lion Plc holds 100% of the issued ordinary shares of Lion Immediate Plc..

(b) Subsidiaries

Interests in subsidiaries are set out in [note 12\(a\)](#).

(c) Key management personnel compensation ⁵

		2021 \$	2020 \$ ^{9,10}
AASB1060(194)	Total key management compensation	3,273,000	2,510,000

AASB1060(195),(196) In addition to the key management compensation disclosed above, the group paid \$110,000 (2020 - \$105,000) to a management entity for CFO services provided to the group.

(d) Transactions with other related parties ^{6,7}

AASB1060(198)(a)

The following transactions occurred with related parties:

		2021 \$ ¹¹	2020 \$ ^{9,10}
	<i>Sales and purchases of goods and services</i>		
AASB1060(199)(b),(201)(a)	Sale of goods to associates	125,222	-
AASB1060(199)(a), (201)(c)	Purchase of management services from parent	450,000	370,000
AASB1060(199)(d),(201)(a)	Purchases of electronic equipment from other related parties	182,232	78,300
AASB1060(199)(c), (201)(a),(c)	Purchases of various goods and services from entities controlled by key management personnel (i)	764,265	576,020
	<i>Dividend revenue</i>		
AASB1060(199)(d)	Other related parties	150,000	300,000
	<i>Superannuation contributions ⁴</i>		
AASB1060(199)(d)	Contributions to superannuation funds on behalf of employees	2,425,333	2,074,543
	<i>Dividend payments</i>		
AASB1060(199)(a)	Lion Immediate Plc	25,940,234	12,865,329

(i) Purchases from entities controlled by key management personnel ²

AASB1060(199)(c),(201)(c),(d)

The group acquired the following goods and services from entities that are controlled by members of the group's key management personnel:

- construction of a warehouse building
- rental of an office building, and
- legal services.

(e) Outstanding balances arising from sales/purchases of goods and services

AASB1060(198)(b)

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2021 \$ ¹¹	2020 \$ ^{9,10}
Current payables (purchases of goods and services)		
AASB1060(198)(a) Lion Immediate Plc (parent entity)	58,200	73,000
AASB1060(198)(c) Entities controlled by key management personnel	196,375	91,294
AASB1060(198)(d) Other related parties	265,327	94,300

(f) Loans to/from related parties

AASB1060(199)(c)

Loans to key management personnel⁵

AASB1060(198)(b) Beginning of the year	606,300	502,700
AASB1060(198)(a) Loans advanced	220,000	150,000
AASB1060(198)(a) Loan repayments received	(108,850)	(46,400)
AASB1060(198)(a) Interest charged	56,929	41,275
AASB1060(198)(a) Interest received	(56,929)	(41,275)
AASB1060(198)(c) Loss allowance (see note 6(c))	(3,000)	(2,000)
AASB1060(198)(b) End of year	714,450	604,300

AASB1060(199)(d)

Loans to other related parties

AASB1060(198)(b) Beginning of the year	700,000	600,000
AASB1060(198)(a) Loans advanced	1,000,400	600,400
AASB1060(198)(a) Loan repayments received	(400,300)	(500,400)
AASB1060(198)(a) Interest charged	81,450	62,130
AASB1060(198)(a) Interest received	(81,450)	(62,130)
AASB1060(198)(c) Loss allowance (see note 6(c))	(4,000)	(2,000)
AASB1060(198)(b) End of year	1,296,100	698,000

AASB1060(199)(a)

Loans from Lion Immediate Plc (parent entity)

AASB1060(198)(b) Beginning of the year	4,000,000	-
AASB1060(198)(a) Loans advanced	7,150,000	4,100,000
AASB1060(198)(a) Loan repayments made	(2,050,000)	(100,000)
AASB1060(198)(a) Interest charged	185,400	104,900
AASB1060(198)(a) Interest paid	(185,400)	(104,900)
AASB1060(198)(b) End of year	9,100,000	4,000,000

AASB1060(199)(b)

Loans from associates

AASB1060(198)(b) Beginning of the year	-	-
AASB1060(198)(a) Loans advanced	6,285,230	800,220
AASB1060(198)(a) Loan repayments made	(200,000)	(800,220)
AASB1060(198)(a) Interest charged	245,450	84,830
AASB1060(198)(a) Interest paid	(245,450)	(84,830)
AASB1060(198)(b) End of year	6,085,230	-

AASB1060(198)(d)

A loss allowance of \$2,000 was recognised in relation to loans to related parties during the year, and the loss allowance on loans to key management personnel was increased by \$1,000, see note 6(c)(i). No loss allowance was recognised in expense in 2020.

(g) Terms and conditions

AASB1060(198)(b)(i)

Transactions relating to dividends, calls on partly paid ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

The loans to key management personnel are generally for periods of 10 years, repayable in quarterly instalments at interest rates of 5% per annum. They are secured by first mortgages over the individuals' residences. One unsecured loan of \$60,000 was made to a director of VALUE ACCOUNTS Simplified Disclosure Pty Ltd for a period of two years with an interest rate of 8% per annum. This loan is repayable in full on 30 September 2021.

(g) Terms and conditions

Goods were sold to associates during the year based on the price lists in force and terms that would be available to third parties. Management services were bought from the immediate parent entity on a cost-plus basis, allowing a margin ranging from 15% to 30% (2020 – 10% to 24%). All other transactions were made on normal commercial terms and conditions and at market rates. The loans to other related parties are repayable between two to four years from the reporting date, the loan from the associate matures in three years, and the loans from the parent entity are denominated in Australian dollars and repayable in instalments from 2026. The average interest rate on the other loans during the year was 9.5% (2020 – 9.75%).

AASB1060(198)(b)(i)

Outstanding balances other than loans to key management personnel are unsecured and are repayable in cash.

Related party transactions**Presentation**

1. All of the related party information required by AASB 1060 that is relevant to VALUE ACCOUNTS Simplified Disclosure Pty Ltd has been presented, or referred to, in one note. This is considered to be a convenient and desirable method of presentation, but there is no requirement to present the information in this manner. Compliance with the standard could also be achieved by disclosing the information in relevant notes throughout the financial statements.

Materiality

AASB1060(Appendix A)

2. The disclosures required by AASB 1060 apply to the financial statements when the information is material. According to the definition of 'material' in Appendix A, materiality depends on the size and nature of an item. It may be necessary to treat an item or a group of items as material because of their nature, even if they would not be judged material on the basis of the amounts involved. This may apply when transactions occur between an entity and parties who have a fiduciary responsibility in relation to that entity, such as those transactions between the entity and its key management personnel.

Related party definition

AASB1060(Appendix A)

3. The definition of a related party includes the following persons and entities:
 - (a) A person (or a close member of that person's family) is related to the reporting entity if the person:
 - (i) has control or joint control over the reporting entity
 - (ii) has significant influence over the reporting entity, or
 - (iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity
 - (b) The reporting entity (A) is related to another entity (B) if:
 - (i) A and B are members of the same group (that is all entities within a group are related to each other)
 - (ii) A is an associate or joint venture of B. In this case A is related to all members of the group that B belongs to
 - (iii) A and B are joint ventures of the same third party, C
 - (iv) A is a joint venture of C and B is an associate of C (or vice versa)
 - (v) B is a post-employment benefit plan for the benefit of employees of A or an entity related to A. If A is itself a post-employment benefit plan, any sponsoring employers are also related to A
 - (vi) B is controlled or jointly controlled by a person identified in (a) above
 - (vii) a person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B, or
 - (viii) B (or any member of the group of which B is a part) provides key management personnel services to A or A's parent.

In this definition, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Related party transactions

Superannuation plans

4. Post-employment benefit plans for the benefit of employees of the entity, or of any entity that is a related party of the entity, are related parties under the definition in Appendix A of AASB 1060. This means that contributions made to such plans by the entity or any other entity in the consolidated group must be disclosed as a related party transaction, regardless of whether the plans are defined contribution or defined benefit plans.

Key management personnel

AASB1060(193)

5. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Transactions with related parties

AASB1060(Appendix A),
(197),(201)

6. Related party transactions are transfers of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. They include commitments to do something if a particular event occurs (or does not occur) in the future and executory contracts (recognised or unrecognised). As per AASB 137, executory contracts are contracts under which neither party has performed any of its obligations, or both parties have partially performed their obligations to an equal extent.

AASB1060(201),(203)

7. AASB 1060 provides examples of different categories of related party transactions. An entity may disclose items of a similar nature in the aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

Exemption for government-related entities

AASB1060(200)

8. An entity does not have to disclose transactions with
 - (a) a state (a national, regional or local government) that has control, joint control or significant influence over the entity, and
 - (b) another entity that is a related party because the same state has control, joint control or significant influence over both the reporting entity and the other entity.

Comparatives

AASB1060(20)
AASB1053(E4)

9. Comparative information must be provided for all amounts reported in the financial statements, except where AASB 1060 permits or requires otherwise. While there are no exemptions for related party disclosures, an entity does not need to provide comparative information if it adopts AASB 1060 early (i.e. before 1 July 2021) and did not disclose the relevant information in its previous financial statements. See the commentary to [Appendix A](#) on page 124 for further explanations.

AASB1060(20)

10. AASB 1060 further states that comparative information should also be provided for narrative and descriptive information where it is relevant to an understanding of the current period's financial statements. In the case of related party disclosures, comparative information is likely to be relevant for all narrative and descriptive information. The comparative information should disclose transactions with parties that were related at the time the transaction took place, but need not include information about transactions with parties that were unrelated at that time.

Rounding

ASIC2016/191

11. Under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* amounts disclosed in relation to transactions between related parties can only be rounded to the nearest \$1,000 for entities with total assets of more than \$1,000m. Refer to Appendix A(o) of our [VALUE ACCOUNTS Holdings Limited](#) publication for further information.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

12. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

AASB1060(198)(b)

Issue not illustrated	Relevant disclosures or references
Commitments to related parties, including committed future purchases or sales	Disclose the amount of commitments as at the end of the reporting period, including terms and conditions.

Related party transactions

AASB1060(198)(b)(ii)

Issue not illustrated

Guarantees given or received in relation to relation to outstanding balances due to/from related parties

Relevant disclosures or references

Disclose the details of guarantees.

AASB1060(200),(192)

The entity applies the exemption for government-related entities

Disclose the parent-subsidary relationship.

An investment entity is exempt from consolidating certain subsidiaries and measures them at fair value through profit or loss instead

Disclose any transactions and outstanding balances with those subsidiaries, as they are not eliminated on consolidation.

17 Remuneration of auditors ^{1,2,11-16}

Comparatives not mandatory in first year

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as the auditor of the parent entity, VALUE ACCOUNTS Simplified Disclosure Pty Ltd, by PwC's related network firms and by non-related audit firms:

		2021 \$ ¹⁷	2020 \$ ¹⁸
	(a) Auditors of the Group – PwC and related network firms		
AASB1060(98)(a)	Audit of financial reports ³⁻⁵		
	Group	653,000	635,000
	Controlled entities	963,000	945,000
AASB1060(98)(a)	Total audit of financial reports	1,616,000	1,580,000
AASB1060(98)(b),(99)	Other statutory assurance services ^{6,7}	56,000	52,000
AASB1060(98)(b),(99)	Other assurance services ^{8,9}	241,000	75,000
AASB1060(98)(b)	Other services ¹⁰		
AASB1060(99)	Tax compliance services	20,000	15,000
AASB1060(99)	Tax advisory services	10,000	10,000
AASB1060(99)	Consulting services	15,000	12,000
	Total other non-audit services	45,000	37,000
	Total services provided by PwC	1,958,000	1,744,000
	(b) Other auditors and their related network firms		
AASB1060(98)(a)	Audit of financial reports ³⁻⁵		
	Controlled entities	15,000	12,000
AASB1060(98)(b),(99)	Other statutory assurance services ^{6,7}	40,000	35,000
AASB1060(98)(b),(99)	Other assurance services ^{8,9}	21,000	21,000
AASB1060(98)(b)	Other services ¹⁰		
AASB1060(99)	Tax compliance services	30,000	25,000
	Total services provided by other auditors (excluding PwC)	106,000	93,000

Remuneration of auditors

AASB1060(98)

1. AASB 1060 requires disclosure of fees to each auditor or reviewer, including any network firm, separately for
 - (c) the audit or review of the financial statements, and
 - (d) all other services performed during the reporting period.
2. The *Parliamentary Joint Committee on Corporations and Financial Services Regulation of Auditing in Australia* recommended standard setters enhance the disclosures of auditor remuneration by better defining the categories so that they provide more information about the split of remuneration between audit and non-audit services. While changes to the audit remuneration disclosure requirements are yet to be made, we have developed the illustrative disclosures in this publication based on draft recommendations made by ASIC and we encourage entities to consider these in their 30 June 2021 financial statements. These enhanced disclosures go further than the current disclosure requirements in AASB 1060 as outlined in paragraph 1 of this commentary.

Audit and review of the financial report

AASB1060(98)(a)

3. In our illustrative disclosures, audit and review of the financial report includes services provided by the group auditor and their network firms to audit the statutory financial report of the parent and the statutory financial reports of any controlled entities and joint operations in the group. As a practical approach, the fees disclosed for the current year will also include overruns billed after the financial statements for the previous financial year were finalised.
4. In the UK, the inclusion of audit fees of associates and joint ventures is encouraged but not required due to the possibility of different reporting deadlines. In Australia, remuneration paid to other auditors outside of PwC networks also needs to be disclosed separately.
5. There are some new areas of work such as wages trust or fraud where a component of the work is done as part of the audit of the financial report and so is included in the audit fees. Other components of this work, such as legal assurance over compliance with contracts, may currently be included in other assurance services.

SI 2011/2198
FRC Ethical Standard (2019)
UK ICAEW Tech 14/13

Other statutory assurance services

6. Other statutory assurance services include services required by legislation to be provided by the statutory financial report auditor. Examples are Australian Financial Services License audits.
7. In the UK this category is referred to as audit-related services and includes: reporting required by law or regulation to be provided by an auditor, reviews of interim financial information, reporting on regulatory returns, reporting to a regulator on client assets, reporting on government grants, reporting on internal financial controls when required by law or regulation and extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions.

FRC Ethical Standard (2019)

Other assurance services

8. In our illustrative disclosures, other Assurance services include other assurance and agreed-upon-procedures services as defined in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (or similar professional requirements, or performed under contractual arrangements) where there is discretion as to whether the service is provided by the statutory auditor or another firm.
9. It would also include extended audit work that is authorised by those charged with governance and performed on financial or non-financial information and financial or non-financial controls where this work is intended to extend the audit work and provide additional assurance. Examples of other assurance services might include reviews of climate-related financial disclosures, cyber controls assurance, fraud or wage contract compliance agreed-upon-procedures, financial due diligence, controls assurance and agreed-upon-procedures performed for APRA.

Remuneration of auditors

Other non-audit services

AASB1060(98)(b)

10. AASB 1060 requires disclosure of the nature of other services but does not require a numerical breakdown. The UK requires separate disclosure of tax compliance, tax advisory, internal audit, corporate finance related service and other. The UK also suggests a subtotal of all non-audit and review services separately from the financial report audit fees. Note for the SEC and UK, some of these services are specifically prohibited.

Network firms

AASB1060(BC75)
APES110(2)

11. A network firm is defined in APES 110 as a firm or entity that belongs to a network. A network is 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.
12. Further guidance on networks and network firms can be found in paragraphs 290.13 to 290.24 of APES 110.

Joint venture operations vs associates and joint ventures

13. The share of auditor's remuneration relating to joint venture operations should be included in the disclosures. However, fees paid to other auditors of associates or joint ventures are not included, as only the share of profits is consolidated.

Amounts paid or payable by another entity

14. Where an amount is paid or payable by another entity (e.g. the parent entity) the recommended approach is to disclose the amount in the individual entity's financial statements, regardless of who paid it. In cases where it is not possible to make an allocation, the individual entity's financial statements should include a suitable explanation.

Goods and Services Tax (GST)

UIG1031(6),(7)

15. Amounts disclosed for auditor's remuneration should be net of goods and services tax (GST) except where the GST included in fees is not recoverable from the tax authority. GST that is not recoverable should be included as part of the remuneration. This disclosure is consistent with UIG 1031 *Accounting for the Goods and Services Tax (GST)* which requires revenues, expenses and assets to be recognised net of the amount of GST, except that where the GST is not recoverable it shall be recognised as part of the cost of acquisition of the asset or as part of the item of expense to which it relates.
16. We recommend that entities that are not able to recover GST on fees for audit and other services and other expenses should include a policy note indicating which expense items disclosed in the financial statements are inclusive of non-recoverable GST. They could also amend the wording of specific disclosures such as auditor's remuneration to make it clear that the amounts disclosed are inclusive of non-recoverable GST, e.g. by adding the words "including non-recoverable GST" to the relevant captions.

Rounding

ASIC2016/191

17. Audit remuneration must be disclosed to the nearest dollar by entities with assets (or consolidated assets) of less than \$1,000 million, and such remuneration may only be rounded to the nearest \$1,000 by entities with assets (or consolidated assets) of more than \$1,000 million. Refer to Appendix A(o) of our **VALUE ACCOUNTS Holdings Limited** publication for further information.
18. As explained in the commentary to **Appendix A** on page 124, entities that are applying AASB 1060 for the first time for a financial reporting period beginning before 1 July 2021 and that have previously prepared special purpose financial statements or general purpose financial statements (GPFS) under the reduced disclosure regime (RDR) do not need to present comparative information in the notes of the financial statements if they did not previously disclose this information in their financial statements. We have assumed that VALUE ACCOUNTS Simplified Disclosure Pty Ltd has previously prepared RDR GPFS and has therefore disclosed most of the information in prior years. However, if there are disclosures that were not required for RDR entities, comparatives could be omitted in the first year of applying AASB 1060. We have indicated with shading in this publication where this is the case.

18 Parent entity financial information

(a) Summary financial information

CR2M.3.01

The individual financial statements for the parent entity show the following aggregate amounts:

		2021 \$'000	2020 \$'000
	Balance sheet		
CR2M.3.01(1)(a),(k)	Current assets	31,726	5,651
CR2M.3.01(1)(b),(k)	Total assets	112,085	74,198
CR2M.3.01(1)(c),(k)	Current liabilities	7,389	4,842
CR2M.3.01(1)(d),(k)	Total liabilities	19,301	7,462
CR2M.3.01(1)(e),(k)	<i>Shareholders' equity</i>		
	Issued capital	87,705	62,619
	Hedging reserve	(223)	(26)
	Retained earnings	5,302	4,143
		<u>92,784</u>	<u>66,736</u>
CR2M.3.01(1)(f),(k)	Profit or loss for the period	<u>27,099</u>	<u>14,663</u>
CR2M.3.01(1)(g),(k)	Total comprehensive income	<u>(319)</u>	<u>(82)</u>

CR2M.3.01(1)(h),(k)

(b) Guarantees entered into by the parent entity

	2021 \$'000	2020 \$'000
Carrying amount included in current liabilities	23	28
	<u>23</u>	<u>28</u>

The parent entity has provided financial guarantees in respect of bank overdrafts and loans of subsidiaries amounting to \$365,000 (2020 – \$360,000), secured by registered mortgages over the freehold properties of the subsidiaries.

The parent entity has also given unsecured guarantees in respect of:

- (i) lease contracts of subsidiaries amounting to \$2,500,000 (2020 – \$2,600,000)
- (ii) the bank overdraft of a subsidiary amounting to \$790,000 (2020 – \$845,000)
- (iii) a bank loan of the subsidiary amounting to \$2,750,000 (2020 – \$5,800,000).

A liability has been recognised in relation to these financial guarantees in accordance with the policy set out in [note 19\(q\)](#) and (e) below.

CR2M.3.01(1)(i),(k)

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020. For information about guarantees given by the parent entity, please see above.

CR2M.3.01(1)(j),(k)

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2021, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling \$850,000 (30 June 2020 – \$770,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

AASB1060(105)(b)

(e) Determining the parent entity financial information ¹**(i) Investments in subsidiaries and associates**

Investments in subsidiaries and associates are accounted for at cost in the financial statements of VALUE ACCOUNTS Simplified Disclosure Pty Ltd.

(ii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Parent entity financial information**Disclosing accounting policies**

1. Parent entities no longer need to include separate parent entity financial statements in their annual financial report unless they are required to do so under other statutory rules (e.g. AfS licensing requirements or APRA rules). However, they still need to provide key financial information for the parent entity in the notes. Where the policies applied in preparing the parent entity information are different to those applied in preparing the consolidated financial statements, this should be explained.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

Additional information to give a true and fair view

2. While CR2M.3.03 provides an exhaustive list of the information that must be disclosed for the parent entity, additional explanations may be necessary if the information required under the *Corporations Regulations* alone does not give a true and fair view of the parent entity's financial position and performance. This could be the case where significant transactions or events have affected the financial position and/or performance of the entity (e.g. a large impairment loss recognised during the reporting period).

Preparation of full separate financial statements

3. Guidance on the preparation of full separate financial statements for parent entities, including the recognition and measurement of investments in subsidiaries, joint ventures and associates, is included in AASB 127 *Separate Financial Statements*. An entity that prepares full parent entity financial statements will need to make sure all of the required disclosures are made both for the group and the parent entity.
4. In addition, the separate financial statements shall disclose the fact that the statements are separate financial statements and provide a description of the methods used to account of the investments in subsidiaries, joint ventures and associates, and shall identify the consolidated financial statements or other primary financial statements to which they relate.

Deed of cross guarantee

5. If the entity has entered into a deed of cross guarantee with wholly-owned subsidiaries to relieve the subsidiaries from the requirement to prepare and lodge financial statements with ASIC, this fact should also be noted in the disclosure of the guarantees provided by the parent entity. This is illustrated in our VALUE ACCOUNTS Holdings Limited publication. The publication also shows in note 2Y the additional disclosures that are required where the consolidated financial statements cover entities which are not members of the closed group of entities that have entered into the deed of cross guarantee.

CA297
CA295(3)(c)

AASB1060(105)

ASIC2016/785.6(1)(v)(v)

AASB1060(95)

19 Summary of significant accounting policies ^{1-3,5-7,15-19}

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of VALUE ACCOUNTS Simplified Disclosure Pty Ltd and its subsidiaries.

(a) Basis of preparation

AASB1060(11)(a),(b),

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. VALUE ACCOUNTS Simplified Disclosure Pty Ltd is a for-profit entity for the purpose of preparing the financial statements

(i) Compliance with Australian Accounting Standards – Simplified Disclosure Requirements ⁴

AASB1060(10),(104)(a)

The consolidated financial statements of the VALUE ACCOUNTS Simplified Disclosure Pty Ltd group comply with Australian Accounting Standards – Simplified Disclosures as issued by the Australian Accounting Standards Board (AASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) and investment property – measured at fair value, and
- assets held for sale – measured at fair value less cost of disposal.

(iii) New and amended standards adopted by the group ⁸

AASB1060(106)

The group has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2020:

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* [AASB 101 and AASB 108]
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business* [AASB 3]
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* [AASB 9, AASB 139 and AASB 7]
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia* [AASB 1054]
- AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* [AASB 16]
- *Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.*

The group also elected to adopt the following standards and amendments early:

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141]
- AASB 2020-7 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures* ⁸
- [Where applicable: AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*] ⁸

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

AASB1053(E4)

These are the group's first general purpose financial statements prepared in accordance with AASB 1060. As permitted by the amended AASB 1053 *Application of Tiers of Australian Accounting Standards*, the group has not provided comparative information for those disclosures that it had not previously made in the notes of its general purpose financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements. ⁹

AASB1060(95)	(b) Principles of consolidation
	(i) Subsidiaries
AASB10(5)-(7),(20),(25)	Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.
AASB3(4)	The acquisition method of accounting is used to account for business combinations by the group (refer to note 19(i)).
AASB10(19),(B86)(c)	Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.
AASB10(22)	Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.
AASB1060(95)	(ii) Associates
AASB128(5),(16)	Associates are all entities over which the group has significant influence but not control or joint control.
AASB1060(125)(a)	This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.
	(iii) Joint arrangements
	[Removed as not applicable. For an illustration of relevant disclosures for joint arrangements refer to Appendix A .]
AASB1060(95)	(iv) Equity method
AASB128(10)	Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.
AASB128(38),(39)	Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.
AASB128(28),(30)	Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.
AASB128(42)	The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 19(j) .
AASB1060(95)	(v) Changes in ownership interests
AASB10(23)(B96)	The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of VALUE ACCOUNTS Simplified Disclosure Pty Ltd
AASB10(25),(B97)-(B99) AASB128(22)	When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.
AASB128(25)	If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Removed as not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd.

(d) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar (\$), which is VALUE ACCOUNTS Simplified Disclosure Pty Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(ii) Group companies

[Removed as not applicable. For an illustration of relevant disclosures for joint arrangements refer to Appendix A.]

(e) Revenue recognition

The accounting policies for the group's revenue from contracts with customers are explained in note 3(b).

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Note 4(a) provides further information on how the group accounts for government grants.

(g) Income tax ¹⁶⁻¹⁹

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(g) Income tax

AASB112(51C)	The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.
AASB112(24),(34)	Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.
AASB112(39),(44)	Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.
AASB112(71),(74)	Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
AASB112(61A)	Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances and similar tax incentives

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

AASB1060(95)

(h) Leases

AASB16(27)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

AASB16(18)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

AASB16(26)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

AASB16(38)

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

AASB16(24)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
 - any lease payments made at or before the commencement date less any lease incentives received
 - any initial direct costs, and
- restoration costs.

AASB16(35)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

AASB1060(95)

(i) Business combinationsAASB3(5),(37),(39),
(53),(18),(19)

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

AASB3(32),(34)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

AASB3(42)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

AASB1060(95)

(j) Impairment of assets

AASB136(9),(10)

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

AASB1060(95)

(k) Cash and cash equivalents

AASB1060(Appendix A)

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(l) Trade receivables

AASB1060(112)

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See [note 6\(b\)](#) for further information about the group's accounting for trade receivables and description of the group's impairment policies.

AASB1060(95)	(m) Inventories
AASB1060(95)	(i) Raw materials and stores, work in progress and finished goods
AASB1060(123)(a) AASB102(9),(10),(25)	Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
AASB9(6.5.11)(d)(i)	
AASB1060(95)	(ii) Land held for resale
AASB1060(123)(a) AASB102(9),(10),(23) AASB123(8),(22)	Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.
AASB1060(95)	(n) Non-current assets (or disposal groups) held for sale and discontinued operations
AASB5(6),(15)	Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.
AASB5(20)-(22)	An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.
AASB5(25)	Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.
AASB5(38)	Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.
AASB5(31),(32)	A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.
AASB1060(95),(112)	(o) Investments and other financial assets
	(i) Classification
AASB9(4.1.1)	The group classifies its financial assets in the following measurement categories: - those to be measured subsequently at fair value (either through OCI or through profit or loss), and - those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.
AASB9(4.1.4),(5.7.1)	For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).
AASB9(4.4.1)	The group reclassifies debt investments when and only when its business model for managing those assets changes.

AASB1060(95),(112)	(p) Investments and other financial assets
AASB1060(95),(112) AASB1060(112) AASB9(3.1.1),(3.2.2), (B3.1.3)-(B3.1.6)	(ii) Recognition and derecognition Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.
AASB1060(95),(112) AASB9(5.1.1)	(iii) Measurement ¹⁰⁻¹¹ At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.
AASB9(4.3.2),(4.3.3)	Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.
	Debt instruments
AASB9(5.2.1)	Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:
AASB9(4.1.2)	Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
AASB9(4.1.1),(4.1.2A), (5.7.10)	FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
AASB9(4.1.1),(4.1.4)	FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.
	Equity instruments
AASB9(5.7.5),(5.7.6)	The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.
AASB9(5.7.1)	Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.
AASB1060(95),(112)	(iv) Impairment The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 6(b) for further details.

AASB1060(95),(112)

(p) Derivatives and hedging activitiesAASB9(5.1.1),(5.2.1)(c),
(5.2.3)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as either:

AASB9(6.5.2)

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

AASB9(6.4.1)(b)

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in **note 6(d)**. Movements in the hedging reserve in shareholders' equity are shown in the **statement of changes in equity**. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

AASB1060(95),(112)

Cash flow hedges that qualify for hedge accounting ¹¹

AASB9(6.5.11)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

AASB9(6.5.15)

Where option contracts are used to hedge forecast transactions, the group designates only the intrinsic value of the options as the hedging instrument.

AASB9(6.5.15)(c)

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

AASB9(6.5.16)

When forward contracts are used to hedge forecast transactions, the group designates the full change in fair value of the forward contract (including forward points) as the hedging instrument and recognises the gains or losses relating to the effective portion of the change in fair value of the entire forward contract in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

AASB9(6.5.15)
AASB9(6.5.16)

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

AASB9(6.5.11)(d)(i)

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

AASB9(6.5.12)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

AASB1060(95),(112)

(q) Financial guarantee contracts

AASB9(4.2.1)(c)

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under AASB 9 *Financial Instruments* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

AASB1060(95)

(r) Property, plant and equipment

AASB116(73)(a),(35)(b),(17)

The group's property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

AASB9(6.5.11)(d)(i)

AASB116(12)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

AASB116(39)

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

AASB116(50),(73)(b)

The depreciation methods and periods used by the group are disclosed in [note 7\(a\)](#).

AASB116(51)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

AASB136(59)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount ([note 19\(j\)](#)).

AASB116(68),(71),(41)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

AASB1060(95)

(s) Investment properties

The group's accounting policy for investment properties is disclosed in [note 7\(c\)](#).

AASB1060(95)

(t) Intangible assets

AASB1060(95)

(i) Goodwill

AASB3(32)

AASB136(10)

Goodwill is measured as described in [note 19\(i\)](#). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

AASB136(80)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

AASB1060(95)

(t) Intangible assets

AASB1060(95)

(ii) Trademarks, licences and customer contractsAASB138(74),(97),
(118)(a),(b)

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

AASB1060(95)

(iii) SoftwareAASB138(57),(66),(74),
(97),(118)(a),(b)

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

AASB1060(95)

(iv) Research and development

AASB138(54),(71)

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

AASB1060(95)

(v) Amortisation methods and periods

Refer to **note 7(d)** for details about amortisation methods and periods used by the group for intangible assets.

AASB1060(95)

(u) Trade and other payablesAASB1060(112)
AASB9(5.1.1)

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

AASB1060(95)

(v) BorrowingsAASB1060(112)
AASB9(5.1.1),(4.2.1)

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

AASB132(18)

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

AASB132(18),(28),
(AG31)(a)

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

AASB1060(95)	(v) Borrowings
AASB9(3.3.1),(3.3.3)	Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.
AASB-119(9)	Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.
AASB1060(40)	Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.
AASB1060(95)	(w) Borrowing costs
AASB1060(163)	General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.
AASB1060(95)	(x) Provisions
AASB137(14),(24),(63)	Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
AASB137(36),(45),(47),(60)	Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.
AASB1060(95)	(y) Employee benefits
AASB1060(95)	(i) Short-term obligations ¹²⁻¹³
AASB119(11),(13)	Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.
AASB1060(95)	(ii) Other long-term employee benefit obligations ¹²⁻¹³
AASB119(8),(155),(156)	The group has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.
AASB1060(40)	The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

AASB1060(95)	(y) Employee benefits
AASB1060(95)	(iii) Post-employment obligations
AASB119(51)	The group pays contributions to publicly or privately administered defined contribution superannuation plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
AASB1060(95)	(iv) Share-based payments – share-appreciation rights
AASB2(30)	Liabilities for the share appreciation rights granted over the parent entity's shares are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as employee benefit obligations in the balance sheet.
AASB1060(95)	(v) Profit-sharing and bonus plans
AASB119(19)	The group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.
AASB1060(95)	(vi) Termination benefits
AASB119(165),(166)	Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.
AASB1060(18)	(vii) Reclassification of employee benefit obligations ¹⁴
	The group's liabilities for accumulating sick leave and other long-term employee benefit obligations were previously presented as provisions in the balance sheet. However, management considers it to be more relevant if all employee benefit obligations are presented in one separate line item in the balance sheet. Prior year comparatives as at 30 June 2020 have been restated by reclassifying \$470,000 from current provisions to current employee benefit obligations and \$2,270,000 from non-current provisions to non-current employee benefit obligations (\$440,000 and \$2,196,000 respectively as at 1 January 2019).
AASB1060(95)	(z) Contributed equity
AASB132(18)(a)	Ordinary shares are classified as equity, see note 8 .
AASB132(35),(37)	Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.
AASB132(33)	Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of VALUE ACCOUNTS Simplified Disclosure Pty Ltd as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of VALUE ACCOUNTS Simplified Disclosure Pty Ltd.
AASB1060(95)	(aa) Dividends
AASB110(12),(13)	Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.
	(ab) Earnings per share
	Removed as not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd.
AASB1060(95)	(ac) Rounding of amounts ¹⁵
AASB1060(31)(e) ASIC2016/191	The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AASB1060(95)

(ad) Goods and Services Tax (GST)

UIG1031(6),(7)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

UIG1031(8),(9)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

UIG1031(10),(11)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Summary of significant accounting policies

Whether to disclose an accounting policy

AASB1060(91)(c),(95)

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

AASB1060(112),(123),
(125),(129),(134),(160)

2. AASB 1060 further specifically requires disclosures of particular accounting policies, including choices made by management between different policies allowed under the other accounting standards. For example, management must disclose the measurement basis (or bases) for financial instruments and property plant equipment, the policies applied for measuring inventories, investments in associates and joint ventures and for government grants.

3. In this publication, we have disclosed policies that are specific to the entity and relevant for an understanding of individual line items in the financial statements together with the notes for those line items. Other, more general policies are disclosed in [note 19](#).

Statement of compliance with IFRS and simplified disclosure requirements

AASB1060(10)

4. Entities whose financial statements comply with Australian Accounting Standards – Simplified Disclosures shall make an explicit unreserved statement of such compliance in the notes. These entities cannot state compliance with International Financial Reporting Standards (IFRS) because of the omission of disclosures that are required under IFRS.

Change in accounting policy

AASB1060((106),(108)

5. Where an entity has changed any of its accounting policies either as a result of a new or revised accounting standard or voluntarily it must explain the change in its notes. Additional disclosures are required where a policy is changed retrospectively, see [note 20](#) for further information.

AASB1060(106)

6. New or revised accounting standards and interpretations only need to be disclosed if they resulted in a change in accounting policy which had an impact in the current year or could impact on future periods. There is no need to disclose pronouncements that did not have any impact on the entity's accounting policies and amounts recognised in the financial statements.

New and revised accounting standards issued but not yet effective

7. AASB 1060 does not require an entity to disclose the impact on the entity's accounting policies and financial statements for new accounting pronouncement which has not become effective.

Early adoption of accounting standards

8. VALUE ACCOUNTS Simplified Disclosure Pty Ltd does not generally adopt any standards or amendments to standards early, unless the amendments are only clarifying existing practice and do not introduce any major changes (e.g. AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*).

AASB2020-7(3)

However, AASB 2020-7 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures* must be adopted early if the entity applies both AASB 1060 and AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*. If the entity has received COVID-19-related rent concessions which only qualify for the practical expedient after the further amendments made to AASB 16 in April 2021, it must also adopt AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021* early.

AASB2021-3
AASB16R(60A),(C1C)

Summary of significant accounting policies

Non-disclosure of comparatives in first year of adoption of AASB 1060

9. As explained in the commentary to [Appendix A](#) on page 124, entities that are applying AASB 1060 for the first time before 1 July 2021 do not need to provide comparative information in the notes if they did not previously disclose this information. However, if an entity has applied this exemption, we recommend explaining in basis of preparation note why some comparative information has been omitted.

Financial instruments

10. Disclosure of the measurement bases of financial instruments may include:

- (a) the nature of financial assets and financial liabilities that have been designated at fair value through profit or loss (FVPL), the criteria for designating them at FVPL and how the entity has satisfied the conditions in AASB 9 for such designation
- (b) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date
- (c) how net gains or net losses on each category of financial instruments are determined (e.g. whether the net gains or losses on items at FVPL include interest or dividend income).

While entities that are preparing financial statements under the simplified disclosure regime of AASB 1060 are not required to comply with AASB 7 *Financial Instruments: Disclosures*, paragraph 2 of AASB 1060 permits referring to other standards such as AASB 7 for guidance on applying the requirements in AASB 1060. We have therefore referred to paragraph B5 of AASB 7 when considering what type of information an entity may provide in relation to the measurement basis of its financial instruments.

Presentation of fair value gains and losses on financial assets and derivatives

11. VALUE ACCOUNTS Simplified Disclosure Pty Ltd's accounting policies for financial assets and derivatives ([notes 19\(o\)](#) and [\(p\)](#)) specify where in the statement of comprehensive income (or statement of profit or loss, as applicable) the relevant fair value gains or losses are presented. However, AASB 9 does not prescribe the presentation in the statement of comprehensive income. Other ways of presenting the fair value gains and losses may be equally appropriate. For example, fair value changes on interest rate hedges or the ineffective portion of an interest rate hedge may be presented within other expenses or other gains/(losses) rather than in finance cost.

Employee benefits

Presentation and measurement of annual leave obligations

12. VALUE ACCOUNTS Simplified Disclosure Pty Ltd has presented its obligation for accrued annual leave within current employee benefit obligations. However, it may be equally appropriate to present these amounts either as provisions (if the timing and/or amount of the future payments is uncertain such that they satisfy the definition of 'provision' in AASB 137), or as other payables
13. For measurement purposes, we have assumed that VALUE ACCOUNTS Simplified Disclosure Pty Ltd has both, annual leave obligations that are classified as short-term benefits and those that are classified as other long-term benefits under the principles in AASB 119. The appropriate treatment will depend on the individual facts and circumstances and the employment regulations in the respective countries. To be classified and measured as short-term benefits, the obligations must be expected to be settled wholly within 12 months after the end of the annual reporting period in which the employee has rendered the related services. The IASB has clarified that this must be assessed for the annual leave obligation as a whole and not on an employee-by-employee basis.

Reclassification

14. Where an entity has reclassified comparative amounts because of a change in presentation, it must disclose the nature and reason for the reclassification in the notes. To illustrate this disclosure, we have assumed in this publication that VALUE ACCOUNTS Simplified Disclosure Pty Ltd has reclassified its employee obligations in the current year from provisions to a separate line item in the balance sheet.

Rounding

15. Refer to Appendix A(o) of our [VALUE ACCOUNTS Holdings Limited](#) publication for information about the conditions under which rounding is permitted for Australian companies. .

AASB1060(112),
AASB7(B5)

AASB1060(2)

AASB119(8),(BC16)-(BC21)

AASB1060(18)

ASIC2016/191

Summary of significant accounting policies

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

16. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

Issue not illustrated	Relevant disclosures or references
Financial reporting in hyperinflationary economies	Disclose the fact that the financial statements and comparatives have been restated, which method was used (historical cost or current cost approach), information about the identity and the level of the price index and the amount of gain or loss on monetary items.

Tax consolidation legislation

17. While AASB 1060 does not require any specific disclosures in relation to tax consolidated groups, there is still the overriding requirement to disclose accounting policies and other information that is relevant to an understanding of the financial statements. Subsidiaries that are part of a tax consolidated group should therefore consider whether to explain the accounting policies applied in respect of the tax consolidation. The same applies in relation to the separate financial statements of the head entity in a tax consolidated group (if prepared).
18. In particular, each entity in the tax consolidated group must account for the current and future tax consequences of its own assets and liabilities, transactions and other events as required by AASB 112. However, UIG 1052 does not prescribe how to allocate the consolidated current and deferred tax amounts among the individual entities, except to say that the method adopted shall be systematic, rational and consistent with the broad principles established in AASB 112.
19. Acceptable methods are:
- stand-alone taxpayer approach (paragraph 9(a) of UIG 1052)
 - separate-taxpayer within group (paragraph 9(b) of UIG 1052, and
 - group allocation (paragraph 9(c) of UIG 1052).
20. Further guidance on each of the three methods is in paragraphs 34-40 of UIG 1052. Examples of unacceptable methods can be found in paragraphs 10 and 39 of UIG 1052. An example policy for the stand-alone taxpayer method can be found in note 22 of our VALUE ACCOUNTS Holdings Limited publication.

AASB1060(183),(184)

AASB1060(91)(c),(95)

UIG1052(7),(8)

20 Changes in accounting policies¹⁻⁸

Changes in accounting policies

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

1. As explained in note 19(a), we have assumed that there are no new or amended accounting standards that required VALUE ACCOUNTS Simplified Disclosure Pty Ltd to change its accounting policies for the June 2020 financial year. As consequence, we have not illustrated disclosures for changes in accounting policies in this publication.

Change in accounting policy following the initial application of an Australian Accounting Standard

2. When initial application of an Australian Accounting Standard has an effect on the current period or any prior period, or might have an effect on future periods, the entity shall disclose:
 - (a) the nature of the change in accounting policy
 - (b) 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, and
 - (c) the amount of the adjustment relating to periods before those presented, to the extent practicable, and
 - (d) an explanation if it is impracticable to determine the amounts to be disclosed in (b) or (c).

Specific transition disclosure requirements in new/revised standards

3. However, where a standard permits a transition approach other than the full retrospective adoption that would be required under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and this transition option is accompanied by specific transition disclosure requirements, the entity must apply these requirements instead of the requirements in AASB 1060.

4. For example, where an entity has adopted AASB 16 *Leases* in the current reporting period and has adopted the simplified transition approach, it must provide the full transition disclosures that are required under AASB 16 Appendix C. These were illustrated in note 26 of our VALUE ACCOUNTS Holdings Limited December 2019 publication.

5. If the entity has used the full retrospective method of adopting AASB 16, it would provide the disclosures for a change in accounting policies set out in paragraph 2.

Disclosure relief for entities affected by Interest Rate Benchmark Reform (Phase 2)

6. Where an entity has changed its accounting policies to apply the amendments made by AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*, it will not need to disclose the financial effects of the change that would otherwise be required by AASB1060 – see paragraph 2(b) above.

Voluntary change in accounting policy

7. When a voluntary change in accounting policy has an effect on the current period or any prior period, an entity shall disclose:
 - (a) the nature of the change in accounting policy
 - (b) the reasons why applying the new accounting policy provides reliable and more relevant information
 - (c) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately:
 - (i) for the current period
 - (ii) for each prior period presented, and
 - (iii) in the aggregate for periods before those presented, and
 - (d) an explanation if it is impracticable to determine the amounts to be disclosed in (b) or (c).

Financial statements of subsequent periods need not repeat these disclosures.

First-time preparation of general purpose financial statements (GPFS)

8. Appendix A explains the transitional relief provided by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* and provides illustrative disclosures for an entity that is changing from stand-alone special purpose financial statements to consolidated GPFS.

AASB1060(106)

AASB1060(107),
(BC85)-(BC87)

AASB1060(107)

AASB2020-9
AASB1060(107A)

AASB106(108)

CA295(1)(c)

Directors' declaration ¹

In the directors' opinion:

In the directors' opinion:

CA295(4)(d)

(a) the financial statements and notes set out on pages 13 to 101 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards – General Purpose Financial Statements – Simplified Disclosures, the *Corporations Regulations 2001* and other mandatory professional reporting requirements ²; and
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and

CA295(4)(c)

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable. ³

CA295(5)(a)

This declaration is made in accordance with a resolution of the directors.

CA295(5)(c)

M K Hollingworth
Director

Sydney

CA295(5)(b)

22 August 2021

Directors' declaration

Format of directors' declaration

1. The directors' declaration illustrated above is included by way of example. Other formats can be used as long as they comply with all relevant requirements.

Reference to other mandatory professional reporting requirements

2. Reference to other mandatory professional reporting requirements Reference to other mandatory professional reporting requirements is not required, but is recommended.

Solvency declaration

ASIC-RG22

3. In Regulatory Guide 22 ASIC provides guidance to directors and auditors of companies in relation to the solvency declaration previously required by CA 301(5), but now required by CA 295(4)(c). As there is no substantive change to the requirements for the solvency declaration, the guidance in Regulatory Guide 22 is still relevant. The Guide discusses the obligations on directors in making the declaration, and the implications for auditors, under the following headings:

- (a) debts to be taken into account by directors in making the solvency statement
- (b) matters to be considered by directors
- (c) qualified statements by directors, and
- (d) implications for auditors.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

Deed of cross guarantee

ASIC2016/785.6(1)(w)(i)

4. If the entity is the holding entity in a deed of cross guarantee that was entered into to provide wholly-owned subsidiaries with relief from preparing financial statements, the directors' declaration made in relation to the consolidated financial statements must include a statement confirming that there are reasonable grounds to believe that the members of the extended closed group will be able to meet any liabilities to which they are or may become subject because of the deed of cross guarantee. We have illustrated this in our **VALUE ACCOUNTS Holdings Limited publication**.

Independent auditor's report to the members of VALUE ACCOUNTS Simplified Disclosure Pty Ltd

The audit report will be provided by the entity's auditor upon completion of the audit of the financial report. As the wording of the report is likely to differ from firm to firm, we have not included an illustrative report in this publication.

Independent auditor's report

Form and content of audit report

1. Standards and guidance on the preparation of audit reports on general purpose financial statements are given in Auditing Standard ASA 700 Forming an Opinion and Reporting on a Financial Report. Compliance with ASA 700 is mandatory for all audits carried out under the Corporations Act 2001 and for all other audits carried out by members of the Accounting Bodies

Other matters on which the auditor may be required to report

2. If the auditor is of the opinion that the financial report does not comply with an accounting standard, the audit report must, to the extent it is practicable to do so, quantify the effect of the non-compliance. If it is not practicable to quantify the effect fully, the report must say why.
3. The audit report must describe (on an exception basis):
 - (a) any defect or irregularity in the financial report
 - (b) any deficiency, failure or shortcoming in respect of the following matters:
 - (i) whether the auditor has been given all information, explanation and assistance necessary for the conduct of the audit
 - (ii) whether the entity has kept financial records sufficient to enable a financial report to be prepared and audited
 - (iii) whether the entity has kept other records and registers as required by the Corporations Act 2001.
4. The audit report must include any statements or disclosures required by auditing standards.
5. If the financial report includes additional information under CA 295(3)(c) (information included to give a true and fair view of financial position and performance), the audit report must include a statement of the auditor's opinion on whether the inclusion of that additional information was necessary to give the true and fair view required by CA 297.

CA307A
APES210

CA308(2)

CA308(3)

CA308(3A)

CA308(3B)

VALUE ACCOUNTS Simplified Disclosure Pty Ltd

Appendices

Appendix A

Disclosures not illustrated in the financial statements of VALUE ACCOUNTS Simplified Disclosure Pty Ltd

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Appendix A: Disclosures not illustrated in the financial statements of VALUE ACCOUNTS Simplified Disclosure Pty Ltd

This appendix illustrates disclosures for transactions and events that were assumed not to be relevant for VALUE ACCOUNTS Simplified Disclosure Pty Ltd. The amounts disclosed below are not necessarily consistent with those used in the main part of this publication and in some cases 'xxx' are used instead of actual numbers.

Single statement of income and retained earnings

AASB 1060 permits presentation of a single statement of income and retained earnings in certain circumstances, see the commentary on the next page for details. Here is an example of such a single statement.

Consolidated statement of income and retained earnings ^{1,2}			2021	2020
		Notes	\$'000	\$'000
AASB1060(62),(63)	Continuing operations			
	Revenue from contracts with customers	2	197,659	161,604
	Other income	3	12,609	12,938
	Other gains/losses	3	4,101	(138)
AASB1060(49)(b),(54)				
	Changes in inventories of finished goods and work in progress		6,681	5,255
	Raw materials and consumables used		(62,218)	(54,108)
	Employee benefits expenses		(53,444)	(50,042)
	Depreciation and amortisation		(12,540)	(10,080)
	Transportation expense		(8,584)	(6,236)
	Advertising costs		(14,265)	(6,662)
	Research and development		(1,075)	(955)
	Other expenses		(8,376)	(3,012)
	Operating profit		60,548	48,564
AASB1060(52)(b)	Finance costs	3	(6,649)	(6,735)
AASB1060(52)(c)	Share of net profit of associates accounted for using the equity method		340	355
	Profit before income tax		54,239	42,184
AASB1060(52)(d)	Income tax expense	4	(16,325)	(12,740)
	Profit from continuing operations		37,914	29,444
AASB1060(52)(e)(i)	Profit from discontinued operation	15	897	399
AASB1060(52)(e)(i)				
AASB1060(52)(f),(53)(a)	Profit for the period		38,811	29,843
AASB1060(63)(a)	Retained earnings at the beginning of the reporting period		XXX	XXX
AASB1060(63)(b)	Dividends provided for or paid		XXX	XXX
AASB1060(63)(c)	Restatements of retained earnings for corrections of prior period errors		XXX	XXX
AASB1060(63)(d)	Restatements of retained earnings for changes in accounting policy		XXX	XXX
AASB1060(63)(e)	Retained earnings at the end of the reporting period		XXX	XXX

Statement of income and retained earnings

AASB1060(26)

1. Entities are only permitted to present a single statement of income and retained earnings if the only changes to equity during the periods for which financial statements are presented arise from:
 - (a) profit or loss
 - (b) payment of dividends
 - (c) corrections of prior period errors, and
 - (d) changes in accounting policy.
2. This condition must be satisfied for all periods presented, i.e. including any comparative periods presented in the financial statements. For example, entities that have recognised amounts in other comprehensive income, or have had a share issue during the current or prior period cannot choose this presentation.

Correction of error

AASB108(42)

This section shows the disclosures required when an entity has made a material prior period error that requires a restatement of the comparatives for the prior periods presented.

Consolidated statement of changes in equity (extract)

	Notes	Attributable to owners of VALUE ACCOUNTS Simplified Disclosure Pty Ltd				
		Share capital \$'000	Other equity \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2019		62,619	(251)	7,395	21,115	90,878
AASB1060(61)(b) Correction of error (net of tax)	2(c)	-	-	-	(910)	(910)
Restated total equity at the beginning of the financial year		62,619	(251)	7,395	20,205	89,968
Profit for the period (restated*)		-	-	-	26,123	26,123
Other comprehensive income (restated*)		-	-	3,810	(403)	3,407
Total comprehensive income for the period		-	-	3,810	25,720	29,530

* See note 2(c) for details regarding the restatement as a result of an error.

Balance at 30 June 2020 as originally presented		63,976	(550)	12,381	35,588	111,395
AASB1060(61)(b) Correction of error (net of tax)	2(c)	-	-	-	(1,085)	(1,085)
Restated total equity as at 30 June 2020		63,976	(550)	12,381	34,503	110,310

2 Critical estimates, judgements and errors

AASB1060(110)

(c) Correction of error in calculating depreciation

In March 2021, a subsidiary discovered a computational error in calculating depreciation of some its equipment. The error resulted in an understatement of depreciation recognised for the 2021 and prior financial years and a corresponding overstatement of property, plant and equipment.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Consolidated balance sheet (extract)	30 June 2020 \$'000	Increase/ (Decrease) \$'000	30 June 2020 (Restated) \$'000	30 June 2019 \$'000	Increase/ (Decrease) \$'000	1 July 2019 (Restated) \$'000
Property, plant and equipment	103,630	(1,550)	102,080	94,445	(1,300)	93,145
Deferred tax liability	(7,285)	465	(6,820)	(4,745)	390	(4,355)
Net assets	111,395	(1,085)	110,310	90,878	(910)	89,968
Retained earnings	(35,588)	1,085	(34,503)	(21,115)	910	(20,205)
Total equity	111,395	(1,085)	110,310	90,878	(910)	89,968

AASB1060(110)

(c) Correction of error in calculating depreciation

	2020 \$'000	Profit Increase/ (Decrease) \$'000	2020 (Restated) \$'000
Consolidated statement of profit or loss and other comprehensive income (extract)			
Depreciation and amortisation	(9,830)	(250)	(10,080)
Profit before income tax	39,925	(250)	39,675
Income tax expense	(11,650)	75	(11,575)
Profit from discontinued operation	399	-	399
Profit for the period	26,298	(175)	26,123
Other comprehensive income for the period	3,407	-	3,407
Total comprehensive income for the period	29,705	(175)	29,530

Financial assets at fair value through other comprehensive income

AASB9(4.1.4),(5.7.5),
(4.1.2A)

This section shows the disclosures required if an entity has debt instruments or equity securities that are measured at fair value through other comprehensive income (FVOCI) as permitted or required under AASB 9 *Financial Instruments*.

Consolidated statement of profit or loss and other comprehensive income (extract)

		Notes	2021 \$'000	2020 \$'000
	Other comprehensive income			
AASB1060(52)(g)(ii)	<i>Items that may be reclassified to profit or loss</i>			
AASB1060(119)(a)(vi)	Changes in the fair value of debt instruments at fair value through other comprehensive income	6(c)	126	(228)
AASB1060(178)(a)	Income tax relating to these items		(37)	68
AASB1060(52)(g)(ii)	<i>Items that will not be reclassified to profit or loss</i>			
AASB1060(119)(a)(v)	Changes in the fair value of equity investments at fair value through other comprehensive income	6(c)	632	(1,230)
AASB1060(178)(a)	Income tax relating to these items		(190)	369

Consolidated statement of changes in equity (extract)

		Attributable to owners of VALUE ACCOUNTS Simplified Disclosure Pty Ltd					
	Notes	Share capital \$'000	Other equity \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	
	Profit for the period	-	-	-	26,164	26,164	
	Other comprehensive income	-	-	3,810	(403)	3,407	
	Total comprehensive income for the period (30 June 2020)	-	-	3,810	25,761	29,571	
AASB9(B5.7.1)	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	6(c)	-	-	384	(384)	-
	Profit for the period	-	-	-	32,626	32,626	
	Other comprehensive income	-	-	5,501	307	5,808	
	Total comprehensive income for the period (30 June 2021)	-	-	5,501	32,933	38,434	
AASB9(B5.7.1)	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	6(c)	-	-	(452)	452	

6 Financial assets and liabilities (extracts)

(c) Other financial assets

		Notes	2021 \$'000	2020 \$'000
	Non-current assets			
AASB1060(113)(e)	Financial assets at fair value through other comprehensive income (FVOCI)	(i)	6,782	7,148

(c) Other financial assets*(i) Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

	2021 \$'000	2020 \$'000
Non-current assets		
Equity investments at FVOCI:		
Australian listed equity securities	4,114	4,126
Unlisted equity securities	1,150	1,622
Carrying amount of equity investments at FVOCI	5,264	5,748
Debt investments at FVOCI:		
Listed bonds	728	650
Unlisted debt securities	790	750
Carrying amount of debt investments at FVOCI	1,518	1,400
	6,782	7,148

AASB1060(95),(112)

Classification of financial assets at fair value through other comprehensive income

AASB9(4.1.4),(5.7.5)

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings. **Note 19(o)** sets out the remaining accounting policies.

AASB9(4.1.2A)

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets. On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to other gains/(losses) within profit or loss.

Impairment of debt investments at FVOCI

AASB1060(112)

All of the entity's debt investments at FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income:

	2021 \$'000	2020 \$'000
Fair value gains/(losses) recognised in other comprehensive income		
Related to equity investments	632	(1,230)
Related to debt investments	118	(228)
Impairment loss on debt investments recognised in other comprehensive income	8	-
	758	(1,458)
Amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period		
Related to debt investments	xx	(xx)
Dividends from equity investments held at FVOCI recognised in profit or loss in other income (see note 4(a))	1,605	800

(c) Other financial assets*Fair value measurements*

AASB1060(115)

The valuation techniques and key assumptions used in measuring the fair value of financial assets measured at FVOCI for 2021 and 2020 are as follows:

- Unlisted equity securities: Present value of net cash inflows from expected future dividends and subsequent disposal of the securities. The discount rates used to determine the present value of the net cash inflows were based on a market interest rate and the risk premium specific to the unlisted securities. Main assumptions used are earnings growth factors (ranging from 2.5% to 3.5%; 2020 – 3.5% to 4.3%) and risk adjusted discount rates (ranging from 5% to 7%; 2020 – 6% to 7.5%)
- Unlisted debt securities: Present value of expected cash inflows based on the terms of the contracts, using discount rates that are adjusted for counterparty credit risk (ranging from 2.5% to 3.5 %; 2020 – 3.9% to 4.3%).
- Listed equity securities and bonds: Quoted market prices in active markets.

(iv) Significant estimates

AASB1060(97)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the key assumptions used are stated above.

7 Non-financial assets and liabilities (extracts)**(e) Deferred tax balances (extracts)***Deferred tax liabilities*

AASB1060(178)(e)(i)

The balance comprises temporary differences attributable to:

	Notes	2021 \$'000	2020 \$'000
Financial assets at fair value through other comprehensive income	6(c)	173	142

AASB1060(178)(e)(ii)

	Financial assets at FVOCI \$'000
Movements – deferred tax liabilities	
At 1 July 2019	421
Charged/(credited)	
- to profit or loss	158
- to other comprehensive income	(437)
At 30 June 2020	142
Charged/(credited)	
- to profit or loss	(194)
- to other comprehensive income	225
At 30 June 2021	173

8 Equity (extracts)

8(xx) Reserves (extracts)

AASB1060(45)(b)

(i) *Nature and purpose of other reserves*

Financial assets at FVOCI

AASB9(B5.7.1)

The group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 7(c). These changes are accumulated within the FVOCI reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

AASB9(B5.7.1A)

The group also has certain debt investments measured at FVOCI, as explained in note 7(c)(iv). For these investments, changes in fair value are accumulated within the FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is derecognised or impaired.

AASB1060(95)

19 Summary of significant accounting policies (extracts)

(a) Investments and other financial assets (extracts)

(iii) *Measurement (extracts)*

Debt instruments

AASB9(5.2.1)

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: [see [note 19\(o\)](#) of the main body of this publication]
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: [see [note 19\(o\)](#) of the main body of this publication]

AASB9(4.1.1),(4.1.2A),
(5.7.10)

Equity instruments

AASB9(5.7.5),(5.7.6)

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

AASB9(5.7.1)

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) *Impairment*

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial assets at fair value through other comprehensive income

1. [Note 6](#) commentary paragraphs 5 and 6 in the main body of this publication explain the requirements of AASB 1060 regarding fair value measurements and how we have applied the requirements in this publication.

Revaluation of property, plant and equipment

This section shows disclosures required where an entity has revalued some of its property, plant and equipment.

Consolidated statement of profit or loss and other comprehensive income (extract)

	Notes	2021 \$'000	2020 \$'000
Other comprehensive income			
AASB1060(52)(g)(i) <i>Items that will not be reclassified to profit or loss</i>			
Revaluation of land and buildings	7(a)	7,243	5,840
AASB1060(178)(a) Income tax relating to these items		(2,173)	(1,752)

7 Non-financial assets and liabilities (extracts)

(a) Property, plant and equipment (extracts)

	Freehold land \$'000	Buildings \$'000	Furniture, fittings and equipment \$'000	Machinery and vehicles \$'000	Assets under construction \$'000	Total \$'000
Non-current						
At 1 July 2020						
AASB1060(134)(d) Cost or fair value	16,500	31,140	29,882	72,693	3,100	153,315
AASB1060(134)(d) Accumulated depreciation	-	-	(9,630)	(41,605)	-	(51,235)
AASB1060(44)(a) Net book amount	16,500	31,140	20,252	31,088	3,100	102,080
At 30 June 2021						
AASB1060(134)(e) Opening net book amount	16,500	31,140	20,252	31,088	3,100	102,080
[not all changes shown here]						
AASB1060(134)(e)(iv) Revaluation surplus	3,320	3,923	-	-	-	5,840
AASB1060(134)(e)(vii) Depreciation charge	-	(1,750)	(2,340)	(4,380)	-	(8,470)
AASB1060(134)(e) Closing net book amount	22,570	38,930	19,820	44,120	-	128,890
At 30 June 2021						
AASB1060(134)(d) Cost or fair value	22,570	38,930	31,790	90,285	3,450	187,025
AASB1060(134)(d) Accumulated depreciation and impairment	-	-	(11,970)	(46,165)	-	(58,135)
AASB1060(44)(a) Net book amount	22,570	38,930	19,820	44,120	3,450	128,890

(iii) Revaluation of land and buildings

AASB1060(95) Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. See note 19(r) for the other accounting policies relevant to property, plant and equipment.

(iv) Significant estimates – valuations of land and buildings

AASB1060(97)
AASB1060(136) The land and buildings were valued on 30 June 2021. The fair value of land and buildings was derived from the current market prices of comparable real estate. In determining the fair value, the valuer referred to current market conditions and recent sales transactions of similar properties. A revaluation surplus is credited to other reserves in shareholders' equity (note 8(d)).

(e) Deferred tax balances (extracts)

Deferred tax liabilities

	Notes	2021 \$'000	2020 \$'000
AASB1060(178)(e)(i) The balance comprises temporary differences attributable to:			
Property, plant and equipment	7(a)	6,243	4,125

(e) Deferred tax balances (extracts)

AASB1060(178)(e)(ii)

Movements – deferred tax liabilities	Property, plant and equipment \$'000
At 1 July 2019	2,150
Charged/(credited)	
- to profit or loss	223
- to other comprehensive income	1,752
At 30 June 2020	4,125
Charged/(credited)	
- to profit or loss	(379)
- to other comprehensive income	2,173
Acquisition of subsidiary	324
At 30 June 2021	6,243

8 Equity (extracts)**8(xx) Reserves (extracts)**

AASB1060(45)(b)

*(i) Nature and purpose of other reserves**Revaluation surplus – property, plant and equipment*

AASB1060(136)(d)

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 19(r) for details.

AASB1060(95)

19 Summary of significant accounting policies (extracts)**(a) Basis of preparation***(ii) Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell
- certain biological assets – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value.

(r) Property, plant and equipment (extracts)

AASB116(39)

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Defined employee benefit plans ¹⁻⁴

This section shows the disclosures required if the entity has obligations under a defined benefit plan.

Consolidated statement of profit or loss and other comprehensive income (extract)

	Notes	2021 \$'000	2020 \$'000
Other comprehensive income			
AASB1060(52)(g)(ii)	<i>Items that will not be reclassified to profit or loss</i>		
	Remeasurements of post-employment benefit obligations	119	(910)
AASB1060(178)(a)	Income tax relating to these items	(36)	273

7 Non-financial assets and liabilities (extracts)

(h) Employee benefit obligations (extracts)

(ii) Defined benefit superannuation plans

AASB1060(173)(a) The group sponsors a defined benefit superannuation plan which provides lump sum benefits to members based on members' length of service and their salary in the final years leading up to resignation or retirement. The plan rules provide benefits which are at least as great as the minimum required under Australia's superannuation guarantee legislation. The plan is closed to new members.

Plan assets are held in trusts which are subject to supervision by the prudential regulator. Funding levels are reviewed at least once every three years. Where assets are less than vested benefits, being those payable upon exist, a management plan must be formed to restore the coverage to at least 100%.

Responsibility for governance of the plans – including investment decisions and plan rules – rests solely with the board of trustees of the plan. Contributions levels are also the responsibility of the trustee, although these are usually set in consultation with the employer. The Trustee must hold a registrable superannuation entity (RSE) licence issued by APRA.

Balance sheet amounts

AASB1060(173)(b),(c) The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

		Present value of obligation \$'000	Fair value of plan assets \$'000	Net amount \$'000
AASB1060(173)(b),(c)	1 July 2020	5,702	(3,091)	2,611
AASB1060(173)(d)	Defined benefit cost recognised in profit or loss	1,458	(326)	1,132
AASB1060(173)(c)(iii)	Remeasurements recognised in other comprehensive income	101	(220)	(119)
AASB1060(173)(c)(i)	Contributions:			
	Employers	-	(1,093)	(1,093)
	Plan participants	55	(55)	-
AASB1060(173)(b),(c)(ii)	Benefit payments	(846)	846	-
AASB1060(173)(b),(c)	Other changes	xxx	xxx	xxx
AASB1060(173)(b),(c)	30 June 2021	10,130	(5,739)	4,391

AASB1060(173)(g) The actual return on plan assets for the current year was \$xx,xxx (2020 – \$xx,xxx).

AASB1060(91)(c) The group has no legal obligation to settle the deficit in the funded plans with an immediate contribution or additional one off contributions. The group intends to continue to contribute to the defined benefit section of the plan at a rate of 14% of salaries in line with the actuary's latest recommendations.

(h) Employee benefit obligations (extracts)*Significant estimates: actuarial assumptions*

The significant actuarial assumptions were as follows:

	2021	2020
Discount rate	0.8%	1.3%
Expected rates of return of the plan assets	x.x%	x.x%
Salary growth rate	3.0%	3.5%

The major categories of plan assets are as follows:

	30 June 2021		30 June 2020	
	\$'000	in %	\$'000	in %
Equity instruments	1,824	32%	1,216	39%
Debt instruments	2,161	38%	571	18%
Property	1,047	18%	943	31%
Other assets	707	12%	361	12%
Total	5,739	100%	3,091	100%

The assets set out in the above table include ordinary shares issued by VALUE ACCOUNTS Simplified Disclosure Pty Ltd with a fair value of \$530,000 (2020 – \$410,000) and land and buildings occupied by the group with a fair value of \$550,000 (2020 – \$580,000).

19 Summary of significant accounting policies (extracts)**(y) Employee benefits (extracts)***(iii) Post-employment obligations*

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Defined benefit superannuation plan

The liability or asset recognised in the balance sheet in respect of defined benefit superannuation plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Defined benefit obligations

AASB1060(173)

1. If an entity has more than one defined benefit plan, the disclosures may be made in total, or separately for each plan, or in such groupings as are considered to be the most useful.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

Multi-employer benefit plans

AASB1060(173),(172)

2. If the entity participates in a multi-employer defined benefit plans that is accounted for as a defined contribution plan because sufficient information is not available to use defined benefit accounting (paragraph 34 of AASB 119), the entity shall disclose that the plan is a defined benefit plan and the reason why it is being accounted for as a defined contribution plan, along with any available information about the plan's surplus or deficit and the implications, if any, for the entity.

Group plans

AASB1060(173)

3. If an entity recognises and measures employee benefit expense on the basis of a contractual agreement or stated policy for charging the net defined benefit cost or based on their contributions payable for the period (paragraph 41 of AASB 119), it shall
 - (a) describe the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy
 - (b) the policy for determining the contributions to the paid by the entity, and
 - (c) make the disclosures required by AASB 1060 paragraph 173(a)-(h) for the plan as a whole.
4. Alternatively, the subsidiary can disclose this information by cross-reference to disclosures in another group entity's financial statement if
 - (a) that group entity's financial statements separately identify and disclose the information required about the plan, and
 - (b) that group entity's financial statements are available to users of the financial statements on the same terms as the financial statements of the entity and at the same time as, or earlier than the financial statements of the entity.

Non-controlling interests

This section shows the additional disclosures that will be required if an entity has non-controlling interests in one or more of its subsidiaries.

Consolidated statement of profit or loss and other comprehensive income (extract)

	Notes	2021 \$'000	2020 \$'000
Profit is attributable to:			
AASB1060(53)(a)(ii) Owners of VALUE ACCOUNTS Simplified Disclosure Pty Ltd		xx	xx
AASB1060(53)(a)(i) Non-controlling interests		xx	xx
		<u>xx</u>	<u>xx</u>
Total comprehensive income for the period is attributable to:			
AASB1060(53)(b)(ii) Owners of VALUE ACCOUNTS Simplified Disclosure Pty Ltd		xx	xx
AASB1060(53)(b)(i) Non-controlling interests		xx	xx
		<u>xx</u>	<u>xx</u>

Consolidated statement of changes in equity (extract)

		Attributable to owners of VALUE ACCOUNTS Simplified Disclosure Pty Ltd						
	Notes	Share capital \$'000	Other equity \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
[Illustration only - comparatives not provided and not all lines reproduced]								
	Balance at 30 June 2020	63,976	(550)	12,381	34,319	110,126	5,689	115,815
AASB1060(61)(c)(i)	Profit for the period	-	-	-	32,626	32,626	3,005	35,631
AASB1060(61)(c)(ii)	Other comprehensive income	-	-	5,501	307	5,808	(99)	5,709
AASB1060(61)(b)	Total comprehensive income for the period	-	-	5,501	32,933	38,434	2,906	41,340
Transactions with owners in their capacity as owners:								
AASB1060(61)(c)(iii)	Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	5,051	5,051
AASB1060(61)(c)(iii)	Transactions with non-controlling interests	-	-	(333)	-	(333)	(1,167)	(1,500)
AASB1060(61)(c)(iii)	Dividends provided for or paid	-	-	-	(22,923)	(22,923)	(3,017)	(25,940)
		19,078	2,324	594	(22,780)	(784)	867	83
	Balance at 30 June 2021	83,054	1,774	17,993	45,108	147,929	9,462	157,391

10 Business combinations

(iv) Accounting policy choice for non-controlling interests

AASB1060(142)(h) The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in VALUE Electronics Pty Ltd, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 19(i) for the group's accounting policies for business combinations.

Joint arrangements ^{1,2}

This section provides illustrative disclosures for entities that have interests in joint operations and joint ventures.

16(a) Joint operations

AASB1060(91)(c)

A subsidiary has a 50% interest in a joint arrangement called the Fernwood Partnership which was set up as a partnership together with House of Cards Constructions Limited, to develop properties for residential housing in regional areas in the south of Australia.

The principal place of business of the joint operation is in Australia.

AASB1060(96)

Significant judgement: classification of joint arrangements

The joint venture agreements in relation to the Fernwood Partnership require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation, and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in note 19(b)(iii).

16(b) Interests in joint ventures accounted for using the equity method

AASB1060(91)(c)

As at 30 June 2021, the group had a 35% interest in Cuddly Pear Pty Ltd, a developer of residential land (2020 – 35%). This is a strategic investment which utilises the group's knowledge and expertise in the development of residential land, but at the same time limits the group's risk exposure. The group also holds a 15% interest in Squirrel Ltd which distributes computer software to wholesale customers in the Australian market (2020 – 15%).

AASB1060(129)(b)

The carrying amounts of these investments were \$492,000 and \$2,340,000 respectively (2020 – \$490,000 and \$1,900,000).

AASB1060(96)

Significant judgement: existence of significant influence

Through the shareholder agreement, VALUE ACCOUNTS Simplified Disclosure Pty Ltd is guaranteed two seats on the board of Squirrel Ltd and participates in all significant financial and operating decisions. The group has therefore determined that it has significant influence over this entity, even though it only holds 15% of the voting rights.

The amount presented in the statement of profit or loss and other comprehensive income in relation to the investment in the associate relates to:

	2021 \$'000	2020 \$'000
Group's share of the profit or loss of joint ventures	320	170
Group's share of discontinued operations of joint ventures	-	43

Commitments and contingent liabilities in respect joint ventures

	2021 \$'000	2020 \$'000
Commitment		
Commitment to provide funding for joint ventures' capital commitments, if called	250	200
Contingent liabilities		
Share of contingent liabilities incurred jointly with other investors of the joint ventures	150	120
Contingent liabilities relating to liabilities of the joint ventures for which the company is severally liable	-	80
Share of joint venture's contingent liabilities in respect of a legal claim lodged against the joint venture	200	180
	350	380

AASB1060(95)

19 Summary of significant accounting policies (extracts)

(b) Principles of consolidation and equity accounting

(iii) Joint arrangements

AASB1060(129)(a)

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. VALUE ACCOUNTS Simplified Disclosure Pty Ltd has both joint operations and joint ventures.

Joint operations

VALUE ACCOUNTS Simplified Disclosure Pty Ltd recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 12(d).

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

Joint arrangements

- As explained in the commentary to [note 12](#), AASB 1060 does not require the disclosure of information about the entity's investments in associates and joint ventures such as their name, ownership interest held or place of business. However, where an entity's interests in joint arrangements are material to the overall financial position and performance, the entity should consider whether some of this information may be necessary for an understanding of the financial statements. This Appendix shows what an entity could disclose in this case, but it will depend on the individual circumstances as to how much detail is required.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

- The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

Issue not illustrated	Relevant disclosures or references
Investment in a joint venture for which there are published price quotations	Disclose the fair value of the investment.
Interests in associates and joint ventures classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income in accordance with AASB 9	Follow the same disclosure requirements of financial assets as stated in paragraphs 113–115 of AASB 1060.

AASB1060(129)(c)

AASB1060(131)

Translation of foreign operations

This section shows additional disclosures that may be required where an entity has foreign operations.

Consolidated statement of profit or loss and other comprehensive income (extract)

	Notes	2021 \$'000	2020 \$'000
Other comprehensive income			
AASB1060(52)(g)(i)			
<i>Items that may be reclassified to profit or loss</i>			
AASB1060(180)(a)			
Exchange differences on translation of foreign operations		(617)	185

Consolidated statement of cash flows (extract)

	Notes	2021 \$'000	2020 \$'000
Net increase in cash and cash equivalents			
		6,986	6,693
AASB1060(81)			
Cash and cash equivalents at the beginning of the financial year		35,536	28,627
Effects of exchange rate changes on cash and cash equivalents		(247)	216
Cash and cash equivalents at end of year		42,275	35,536

8 Equity (extracts)

8(xx) Reserves (extracts)

AASB1060(45)(b)	(i) <i>Nature and purpose of other reserves</i>
	<i>Foreign currency translation</i>

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 25(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

AASB1060(95) 19 Summary of significant accounting policies (extracts)

(xx) Foreign currency translation

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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.

New illustration

Equity-settled share-based payments

This section shows additional disclosures that may be required where an entity has equity-settled share-based payment schemes.

Consolidated statement of profit or loss and other comprehensive income (extract)¹

	Notes	2021 \$'000	2020 \$'000
Continuing operations			
AASB1060(168)(a) Share-based payment expense	X	896	330

Consolidated balance sheet

	Notes	2021 \$'000	2020 \$'000
Equity			
AASB1060(44)(f) Share-based payment reserve	8 (xx)	Xxx	Xxx

Consolidated statement of changes in equity (extract)

Attributable to owners of VALUE ACCOUNTS Simplified Disclosure Pty Ltd							
Notes	Share capital \$'000	Other equity \$'000	Share-based payments reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
	[Illustration only - comparatives not provided and not all lines reproduced]						
Balance at 30 June 2020	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx
Profit for the period				Xxx	Xxx	Xxx	Xxx
Other comprehensive income			-	Xxx	Xxx	Xxx	Xxx
Total comprehensive income for the period	Xxx	Xxx	-	Xxx	Xxx	Xxx	Xxx
Transactions with owners in their capacity as owners:							
AASB1060(61)(c)(iii) Employee share schemes – value of employee services	X		896				
	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx
Balance at 30 June 2021	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx

8 Equity (extracts)

8(xx) Reserves (extracts)

AASB1060(45)(b)

(i) Nature and purpose of other reserves

Share-based payment reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees. Any amounts recognised in this reserve remain in the reserve, no amounts are transferred to issued capital on exercise of the options, see note 19(y) for the accounting policy for share-based payments.

X Share-based payments

AASB1060(164)(a)

(a) Employee Option Plan

The Employee Option Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options over shares in the ultimate parent entity, Lion Plc, which vest after three years provided certain EBITDA hurdles are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Once vested, the options remain exercisable for a period of two years.

Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. VALUE ACCOUNTS Simplified Disclosure Pty Ltd has no obligation to settle the share-based payment transactions or to make any payments to the parent entity in relation to the options.

Set out below are summaries of options granted under the plan:

		2021		2020	
		Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
AASB1060(164)(b)(i)	As at 1 July	\$5.55	2,056,000	\$5.33	1,688,000
AASB1060(164)(b)(ii)	Granted during the year	\$6.18	818,000	\$5.78	814,000
AASB1060(164)(b)(iv)	Exercised during the year	\$5.28	(228,000)	-	-
AASB1060(164)(b)(iii)	Forfeited during the year	\$5.71	(445,000)	\$5.12	(446,000)
AASB1060(164)(b)(iv)	As at 30 June	\$5.78	2,201,000	\$5.55	2,056,000
AASB1060(164)(b)(vii)	Vested and exercisable at 30 June	\$5.28	263,000	-	-

No options expired during the periods covered by the above tables.

AASB1060(165)

(i) Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2021 was \$1.80 per option (2020 – \$1.75). The fair value at grant date is independently determined using an adjusted form of the Black-Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(ii) Expenses arising from share-based payment transactions¹

AASB1060(168)(a)

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were \$896,000 (2020 – \$330,000).

AASB1060(95)

19 Summary of significant accounting policies (extracts)

(y) Employee benefits (extracts)

(viii) Employee options

The fair value of options granted under the VALUE Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Share-based payments

1. Expenses arising from share-based payment transactions would not need to be disclosed in the notes, if they are disclosed as a separate line item in the statement of profit or loss and other comprehensive income as presented above.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

2. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd:

Issue not illustrated	Relevant disclosures or references
Share options expired during the year	Include the number and weighted average exercise price of share options expired in the reconciliation of share options.
Share-based payment arrangements that were modified during the period	Explain the modifications.

AASB1060(164)(b)(iii)

AASB1060(167)

First-time preparation of consolidated general purpose financial statements

This section illustrates disclosures for an entity that is preparing consolidated general purpose financial statements in accordance with AASB 1060 for the first time in the current period. For the purpose of these disclosures we have assumed that the entity has previously:

- prepared stand-alone special purpose financial statements, and
- complied with all recognition and measurement requirements of the Australian Accounting Standards, with the exception of the consolidation and equity-accounting requirements.

We have further assumed that all subsidiaries are wholly-owned such that there is no non-controlling interest arising on consolidation.

The extracts of the financial statements below show the different columns for consolidated and stand-alone financial statements in the current and prior year and how the adjustment in the statement of changes in equity might be presented.

AASB1060(62),(63)

Consolidated statements of profit or loss and other comprehensive income, balance sheet and cash flows (extract)

AASB1060(49)(b),(54)
AASB1053R(E7)(a)

	Consolidated 2021 \$'000	Stand-alone* 2020 \$'000
Notes	\$'000	\$'000
[Individual line items not reproduced – see the main body of the publication for examples of line items that may be relevant for each of the financial statements]	xxx	xxx

* See note X for details about the group's transition from stand-alone special purpose to consolidated general purpose financial statements.

AASB1060(62),(63)

Consolidated statement of changes in equity (extract)

AASB1060(61)(c)
AASB1053R(E7)(a)

	Notes	Share capital \$'000	Hedging reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2019 (stand-alone)		xxx	xxx	xxx	xxx
[Not reproduced – see main body of publication for examples of line items that may be relevant]					
Balance at 30 June 2020 (stand-alone)		xxx	xxx	xxx	xxx
Restatement on transition to consolidated general purpose financial statements	X				
Balance at 1 July 2020 (consolidated)		xxx	xxx	xxx	xxx
[Not reproduced – see main body of publication]					
Balance at 30 June 2021		xxx	xxx	xxx	xxx

AASB1060(61)(c)

X Transition from special purpose to general purpose financial statements

In prior years, VALUE ACCOUNTS Simplified Disclosure Pty Ltd has prepared stand-alone special purpose financial statements because neither the company nor the group was a reporting entity and the directors decided not to comply with AASB 10 *Consolidated Financial Statements*. For the year ending 30 June 2021, the entity has adopted the amendments made by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* and has prepared consolidated general purpose financial statements.

AASB1053R(E7)

As permitted by AASB 1053 *Application of Tiers of Australian Accounting Standards*, the entity has not restated the comparative information for the year ending 30 June 2020 and the information disclosed for that period is therefore not comparable with the consolidated information disclosed for the current period.

To determine the consolidated opening balances as of 1 July 2020, VALUE ACCOUNTS Simplified Disclosure Pty Ltd has applied the relief in AASB 1 *First-Time Adoption of Australian Accounting Standards* and has elected not to retrospectively account for business combinations that occurred prior to 1 July 2020. Instead, the company has recognised:

- (a) the subsidiaries' assets and liabilities in the consolidated financial statements at the amounts recognised in the subsidiaries' financial statements; and
- (b) the resulting difference between the net amounts recognised under (a) and the investment balance as at 30 June 2020 as goodwill.

AASB3(34)

Where the subsidiaries' net assets exceed the carrying amount of the investment, the entity has recognised the negative goodwill as increase in retained earnings.

AASB1(C5)

The group's investments in joint ventures and associates are equity-accounted from 1 July 2020. The carrying amounts of the investments that were recognised in the separate financial statements on that date are subsequently adjusted to recognise the group's share of the profits or losses of the investees after that date, and the group's share of movements in other comprehensive income of the investees in accordance with the accounting policy described in [note 19\(b\)\(iii\)](#).

The following adjustments were recognised in equity as a result of the transition from separate special purpose financial statements to consolidated general purpose financial statements:

	\$'000
Equity as reported in the stand-alone financial statements as at 30 June 2020	xxx
Increase of retained earnings (where applicable) ⁴	xxx
Recognition of non-controlling interest (where applicable)	xxx
Consolidated equity as at 1 July 2020	xxx

First-time preparation of general purpose financial statements

AASB1053R(E4)-(E7)

1. AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* provides transitional relief for entities transitioning from special purpose financial statements (SPFS) to general purpose financial statements (GPFS). In particular, entities do not need to:
 - (a) restate the comparative information in the year of transition, and
 - (b) disclose comparative information for disclosures that the entity had not previously included in its SPFS or GPFS prepared under the reduced disclosure regime (RDR), see paragraphs 9 to 12 below for further information.
2. However, this relief is only available if the entity adopts the amendments early, for accounting periods beginning before 1 July 2021.

AASB1053R(E4),(E7)

First-time preparation of general purpose financial statements

Limited relief available for not-for-profit entities transitioning from RDR or Tier 1 to simplified disclosures

3. As a general rule, the above relief is only available for for-profit private sector entities that are transitioning from SPFS to GPFS. However, AASB 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities* provides not-for-profit entities with optional relief from presenting comparative information in the notes to the financial statements where the entity did not disclose the comparable information in its most recent previous general purpose financial statements. This relief is available for not-for-profit entities transitioning to AASB 1060 from either:
 - (a) Tier 1: Australian Accounting Standards or
 - (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements
4. Consistent with the relief provided to for-profit entities, this relief is also only available if the entity adopts the amendments early, for accounting periods beginning before 1 July 2021.
5. As noted in paragraph 15 below, it may be useful if an entity explains the reason why certain comparative disclosures have been omitted.

First-time preparation of consolidated financial statements and equity accounting

6. Entities that have previously prepared stand-alone SPFS because neither the company nor the group was a reporting entity and the directors decided not to comply with AASB 10 *Consolidated Financial Statements* have a choice of:
 - (a) applying the principles and reliefs available in AASB 1 *First-Time Adoption of Australian Accounting Standards*, or
 - (b) applying the principles of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, i.e. retrospectively preparing consolidated financial statements as if the entity had consolidated the subsidiaries either from the date of the original acquisition or the date of initial application of AASB 10 *Consolidated Financial Statements*, whichever occurred later.
7. Applying the principles of AASB 1 means that the entity can elect to:
 - (a) measure the carrying amounts of the subsidiary's assets and liabilities at the amounts that would be recognised in the subsidiary's financial statements under Australian Accounting Standards (AAS) at the date of transition (i.e. the financial year beginning on or after 1 July 2020 – see paragraph 11 below).
 - (b) recognise the assets and liabilities in the consolidated financial statements at these carrying amounts, and
 - (c) for subsidiaries acquired in a business combination recognise the resulting difference between the assets and liabilities recognised and the previous investment balance as goodwill. Negative goodwill (i.e. where the net assets exceed the carrying amount of the investment) is recognised as increase in retained earnings at 1 July 2020.
 - (d) for subsidiaries not acquired in a business combination, recognise the difference between the net assets and the previous investment balance in retained earnings, rather than as goodwill.
8. AASB 1 states that non-controlling interests are measured by reference to the adjusted carrying amounts of assets and liabilities in the subsidiary's financial statements. However, there are different views on whether the measurement of non-controlling interests should or could also include a share of the goodwill identified in paragraph 7(c).

AASB2020-2
AASB1053(E1)

AASB2021-1
AASB1060(B1)

AASB1053R(18A)(b)

AASB1(C4)(j)

AASB1(C4)(k)

First-time preparation of general purpose financial statements

AASB1(C5)

9. The same rules summarised in paragraph 7 also apply to equity-accounted investments in associates and joint ventures. Therefore:
 - (a) The carrying amount of the investment as at the date of transition (i.e. the financial year beginning on or after 1 July 2020) will become the starting point for equity accounting.
 - (b) On the date of transition, the entity determines the difference between the carrying amount of the investment and the investor's share of the investee's carrying amounts of the assets and liabilities recognised and measured under AAS (as per paragraph 4(a) above).
 - (c) If the investment carrying amount exceeds the entity's share of the net assets, this represents goodwill and no further adjustment is required. If the entity's share of the net assets exceeds the investment carrying amount, the entity increases the carrying amount of the investment to the share of the net assets and recognises the difference as a gain in retained earnings.

AASB1(D5)-(D8B)

10. If the subsidiary has not previously prepared financial statements in accordance with AAS, the entity can also apply the other exemptions in AASB 1 in determining the carrying amounts, e.g. using a previous revaluation of an item of property, plant and equipment as deemed cost provided the requirements in AASB 1 paragraphs D5-D8B apply.

Consolidated and equity-accounted information required from 1 July 2020 in all cases

11. The amendments made by AASB 2020-2 only provide relief from restating comparative information if they are adopted early for a financial year beginning before 1 July 2021. As a consequence, entities will need to determine consolidated financial statements and equity-accounting amounts from 1 July 2020:
 - (a) If the entity adopts the amendments early, e.g. for the financial year ending 30 June 2021, it only needs to prepare consolidated financial information from 1 July 2020, as the comparative information can be disclosed on a stand-alone basis (paragraph 1 above).
 - (b) If the entity waits until the mandatory adoption date of 1 July 2021 (i.e. financial year ending 30 June 2022) it will have to restate the comparative information for the 2021 financial year, i.e. will also need to determine consolidated information from 1 July 2020.

Impairment considerations

12. Regardless of the adoption approach taken, entities will need to assess any goodwill recognised on transition for impairment. Where the entity is applying the AASB 1 approach, it will need to consider whether the goodwill was impaired as at the date of transition and any subsequent reporting periods, based on the conditions at that time and without the use of hindsight. For example, if the entity has decided to wait with the adoption until the financial year ending 30 June 2022, it will need to assess its goodwill as at 1 July 2020 and also as at 30 June 2021. This will ensure impairments are recognised in the correct period and not affecting current year results.
13. Where the entity is applying the AASB 108 approach, it will have to go back even further and assess goodwill for impairment at each reporting date since the date of the business combination. The entity must recognise any resulting impairment loss in the relevant period, without the use of hindsight.

First-time preparation of general purpose financial statements

First-time preparation of GPFS where no adjustments to amounts required

AASB1053R(E4)

14. If the entity has prepared consolidated SPFS in prior years, or does not have any subsidiaries such that it does not need make any adjustments to the amounts that are recognised in the financial statements on the transition from SPFS to GPFS, it will not need to provide any specific transition disclosures.
15. However, if the entity intends to apply the relief from disclosing information for the prior period for those disclosures that it had not previously included in its SPFS or RDR-GPFS, it may be useful including a comment in the basis of preparation note explaining why some comparative information has been omitted from the notes. This could be along the following lines:

If the previous financial statements were SPFS:

These are the group's first general purpose financial statements. As permitted by AASB 1053 *Application of Tiers of Australian Accounting Standards*, the group has not provided comparative information for those disclosures that it had not previously made in the notes of its special purpose financial statements.

If the previous financial statements were RDR-GPFS:

These are the group's first general purpose financial statements prepared in accordance with AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. As permitted by AASB 1053 *Application of Tiers of Australian Accounting Standards*, the group has not provided comparative information for those disclosures that it had not previously made in the notes of its general purpose financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements.

16. We have assumed that VALUE ACCOUNTS Simplified Disclosure Pty Ltd has previously prepared RDR-GPFS and hence has provided comparative information for most of the disclosures in prior years in the main body of this publication. However, as there are some disclosures that were not previously required under the RDR (see [Appendix B](#) for details), there are some comparatives that can be omitted. We have indicated in the main body of this publication where this is the case using shading and a comment in the reference column that comparatives are not mandatory in the first year.
17. Some of these disclosures (e.g. franking credit disclosures) were required for entities that prepared SPFS to comply with the reporting requirements in the *Corporations Act 2001*. This means that these entities will have disclose comparative information. However, they may be able to omit other comparative information, depending on the disclosures made in the previous SPFS. The table in [Appendix B](#) may help identifying such disclosures.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Simplified Disclosure Pty Ltd

Correction of errors

18. AASB 2020-2 does also not require entities to distinguish between changes in accounting policies as a result of the transition to GPFS and the correction of prior period errors. This relief applies regardless of whether the entity has adopted the amendments early or not.

Appendix B: Disclosure obligations of 'tier 2' general purpose financial statements vs special purpose financial statements

The following information is intended to be used as a guide only. The entity's directors are responsible for determining which disclosures are required in order to meet the needs of financial statement users and present a true and fair view of the business. This table highlights the significant disclosure differences between general purpose financial statements (GPFS) prepared under the new AASB 1060, GPFS prepared under the current RDR framework (OLD RDR) and SPFS of non-reporting entities that are required to prepare financial reports under Chapter 2M of the Corporations Act 2001 (and which therefore must comply with 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). It does not analyse the disclosures that can be removed from all three sets of accounts, nor is it an exhaustive list of all differences that exist.

In the column for the Simplified Disclosure Standard (AASB 1060 SDS):

- **green font** indicates less disclosure
- **red font** indicates additional disclosures, and
- **yellow font** indicates the same disclosures

compared to GPFS prepared under the OLD RDR. In the column for SPFS, **green font** indicates disclosures that can be removed when moving from SPFS to the new simplified disclosures.

Financial statement note	NEW AASB 1060 SDS	OLD RDR	OLD SPFS
Content page/general information about the entity: Domicile, legal form, country of incorporation, address of registered office and description of the nature of the entity's operations and principal activities (AASB 101(138); AASB 1060(32)(a),(b))	Yes	No	Yes
Statement of profit and loss and other comprehensive income Share of other comprehensive income of associates and joint ventures with separate disclosure of amounts that will not, or may be, reclassified to profit or loss (AAS 101(82A(b))	No distinction into amounts reclassified/not reclassified	Yes	Yes
Balance sheet and related notes Present a third balance sheet at the beginning of the earliest comparative period in certain circumstances (AASB 101(40A))	No	No	Yes
Statement of changes in equity Option to omit the statement of changes in equity in certain circumstances, and present instead a statement of income and retained earnings (AASB 1060(62),(63))	Option to omit statement of changes in equity in certain circumstances	No	No
Revenue - Revenue from contracts with customers separately from other revenue, and impairment losses on receivables or contract assets separately from other impairment losses (AASB 15(113)) - Disaggregation of revenue (AASB 15(114); AASB 1060(157)(b)) - Opening and closing balances of receivables, contract assets and contract liabilities (AASB 15(116(a); AASB 1060(159)) - Information about the entity's performance obligations, including methods used to recognise revenue over time (AASB 15(119),(124)(a); AASB 1060(157)(a),(158)) - Significant judgements made in applying AASB 15, including judgements made in deciding when to recognise revenue at a point in time. (AASB 15 (123),(125)) - Information about assets recognised from costs to obtain or fulfil a contract with a customer (AASB 15(127),(128)) - The use of practical expedients in applying AASB 15 (AASB 15(129))	No Yes Closing balances only Yes No ** No No	Yes Yes Yes Yes Yes (with reduced disclosures) Yes	No * No * No * No * No * No *

Appendix B: Disclosure obligations of ‘tier 2’ general purpose financial statements vs special purpose financial statements

Financial statement note	NEW AASB 1060 SDS	OLD RDR	OLD SPFS
Individually material income or expense items (AASB 101(97))	No (but still may need to disclose if relevant for an understanding of the FS)	Yes	Yes
Other income and expenses - Certain gains and losses relating to reclassified financial assets (AASB 101(82)(ca),(cb)) - Information about expenses classified by nature where the entity has classified expenses by function in the income statement (AASB 101(104)) - Other items required by standards other than AASB 101 not covered separately below (e.g. foreign exchange gains/losses)	No No Depending on items – largely similar to RDR	Yes No Depending on standard	Yes Yes No *
Income tax - Breakdown of income tax expense (AASB 112(79); AASB 1060(177)) - Reconciliation: income tax expense to prima facie income tax payable (AASB 112(81)(c); AASB 1060(178)(c)) - Aggregate amounts recognised directly in equity (AASB 112 (81)(a); AASB 1060(178)(b)) - Aggregate amounts recognised directly in OCI (AASB 112 (RDR81.1); AASB 1060(178)(a)) - Tax expense relating to each component of OCI (AASB 101 (90)) - Deferred tax assets not recognised (AASB 112 (81)(e); AASB 1060(178)(f))	Yes Yes Yes Yes No Yes	Yes Yes Yes Yes No Yes	No * No * No * No * Yes No *
Financial assets and liabilities - Policy adopted in determining the composition of cash and cash equivalents (AASB 107(46)) - Disclosure of specified measurement bases of financial assets and financial liabilities (AASB 7(B5)) - Carrying amounts of financial assets & financial liabilities by category (AASB 7(8); AASB 1060(113)) - Specific amounts recognised in profit or loss and other comprehensive income (AASB 7(10)(d) and (20); AASB 1060(119)) - Information that enables users of the financial statements to evaluate the significance of financial instruments (e.g. terms and conditions (AASB 7(7); AASB 1060(114)) - Reclassifications of financial assets from one measurement category to another (AASB 7(12B)-(12D)) - Loss allowance recognised in relation to financial assets at FVOCI (AASB 7(16A)) - Secured liabilities (AASB 7(14); AASB 1060(117)) - Compound financial instruments with multiple embedded derivatives (AASB 7(17)) - Loans payable - defaults and breaches (AASB 7(RDR18.1); AASB1060(118)) - Transferred assets – not derecognised in their entirety (AASB 7(42A),(42B),(42D); AASB 1060(116)) - Transferred financial assets – derecognised in their entirety (AASB 7(42A)-(42H))	No No Yes (with reduced disclosures; same as RDR) Yes for para 20 (with reduced disclosures; same as RDR) No for AASB 7(10)(d) Yes No No Yes No Yes (with further reduced disclosures) No	No Yes Yes (with reduced disclosures) Yes (with reduced disclosures) Yes Yes (with reduced disclosures) Yes Yes Yes Yes (with reduced disclosures) Yes (with reduced disclosures)	Yes No * No * No * No * No * No * No * No * No * No *

Appendix B: Disclosure obligations of ‘tier 2’ general purpose financial statements vs special purpose financial statements

Financial statement note	NEW AASB 1060 SDS	OLD RDR	OLD SPFS
Non-financial assets and liabilities - Amount of inventory recognised as an expense and amount of any write down of inventory to net realisable value (AASB 102(36); AASB 1060(123)) - Description of assets or disposal groups held for sale or sold (AASB 5(41)(a)-(c); AASB 1060(47)) - Reconciliations from opening to closing balance (PPE, intangibles, investment property, provisions retirement benefit obligations) - Investment property (other disclosures) (AASB 140; AASB 1060(132),(133)) - Breakdown of deferred tax balances by type of temporary differences (AASB 112(81)(g); AASB 1060(178)(e)) - Nature of provisions (AASB 137(85)(a); AASB 1060(153)(b)) - Retirement benefit obligations (other disclosures) (AASB 119; AASB 1060(172)-(173)) - Termination benefits (nature, amount and extent of funding) (AASB 1060(174)) - Amounts expected to be recovered/settled within and after 12 months (AASB 101(61))	Yes Yes Yes (but only current year) Yes (with reduced disclosures; same as RDR) Yes Yes Yes (some disclosures in addition to RDR) Yes No	Yes Yes Yes (but only current year) Yes (with reduced disclosures) Yes Yes (with reduced disclosures) No No	No * No * No * No * No * No * No * No Yes
Lessee disclosures - Amounts recognised by a lessee for the reporting period (AASB 16(53); AASB 1060(144)(a),(146)(b),(145) with (134)(e)(i),(vii)) - Information about revalued right-of-use assets (AASB 16(57); AASB 1060(145),(136)) - Amounts of lease commitments for certain short-term leases (AASB 16(55); AASB 1060(146)(a)) - Maturity analysis for total future lease payments (AASB 1060(144)(b)) - Additional qualitative and quantitative information about lessee's leasing activities (AASB 16(59); AASB 1060(144)(c)) - Application of recognition exemptions for short-term leases or low-value leases (AASB 16(60)) - Additional disclosure relating to variable lease payments, extension options or termination options, and residual value guarantees (AASB 16 (B49-51))	Yes (but less details than required for RDR) Yes Yes Yes Yes (but less details than required for RDR) No No	Yes Yes Yes No Yes Yes Yes (with reduced disclosures)	No* No* No* No* No* No* No*
Lessor disclosures - For finance leases: amounts recognised during the reporting periods, explanation of significant changes in carrying amount of the net investment in finance lease, maturity analysis of lease payments receivables and loss allowance for uncollectable lease payments receivable (AASB 16(90),(92)-(94); AASB 1060(147)) - For operating leases: maturity analysis of lease payments, variable lease payments and reference to other standards. (AASB 16(95); AASB 1060(148)) - Additional qualitative and quantitative information about lessor's leasing activities (AASB 16(92)(a); AASB 1060(147)(f),(148)(c)) - Information about how lessor manages the risk associated with any rights it retains in underlying assets (AASB 16(92)(b))	Yes (with less details than required for RDR) but additional disclosure of loss allowance for lease receivables Less detailed maturity analysis, but additional disclosure of variable lease payments Yes No	Yes – except for loss allowance for lease receivables Yes – except for variable lease payments Yes Yes	No* No* No* No*

Appendix B: Disclosure obligations of ‘tier 2’ general purpose financial statements vs special purpose financial statements

Financial statement note	NEW AASB 1060 SDS	OLD RDR	OLD SPFS
Impairment - Impairment losses and reversals for each class of asset (AASB 136(126); if not disclosed as part of the reconciliation from opening to closing balances; AASB 1060(169)) - The recoverable amount of the individual asset or CGU for which an impairment loss has been recognised or reversed (AASB 136(130)(c))	Yes (with further reduced disclosures) No	Yes Yes	No * No *
Fair value measurements If financial and non-financial assets and liabilities are recognised at fair value, disclose valuation techniques and assumptions applied (AASB 13(91)(a); AASB 1060 (115),(128),(131),(132)(a),(136)(c),(140)(c),(204)(b))	Yes – potentially more detail as no differentiation between levels of FV hierarchy	Yes	No *
Cash flow information - Reconciliation of profit after tax to cash flow from operating activities (AASB 1054(16)) - Reconciliation of liabilities arising from financing activities (AASB 107(44A)-(44E))	No No	No No	Yes Yes
Financial risk management: Derivatives - Information about the entity's risk management strategy (AASB 7(22A)-(22C); AASB 1060(120)) - Amount, timing and uncertainty of future cash flows (AASB 7(23C),(23F); AASB 1060(122)(a),(b)) - Effects of hedge accounting on financial position and performance (AASB 7(24A)-(24C); AASB 1060 (120)(b),(121),(122)(c)-(e)) - Option to designate credit exposure as measured at fair value through profit or loss (AASB 7(24G))	Description of hedge and nature of risks being hedged only Different disclosures to RDR, but less details required Different disclosures to RDR, but less details required No	Yes (with reduced disclosures) Yes (with reduced disclosures) Yes (with reduced disclosures) Yes	No * No * No * No *
Capital management: Shares and dividends - Reconciliation of number of shares (AASB 101(79)(a)(iv); AASB 1060(45)) - Dividends per share (AASB 101(107)) - Dividends not recognised at the end of the reporting period (AASB 101(137)) - Franked dividends available for subsequent financial years (AASB 1054(13)-(15); AASB 1060(101)-(103))	Yes (but for current period only) No No Yes	Yes No No No	Yes Yes Yes Yes
Business combination - Purchase consideration & breakdown of assets/liabilities acquired (AASB 3(B64)(f)(i), AASB 107(40)(a),(b),(d); AASB 1060(142)(d),(e)) - Qualitative description of the factors that make up goodwill (AASB 1060(142)(g)) - Other information about the acquired entity/operation (AASB 3(59)-(63),(B64)-B67; AASB 1060(142)-(143)) - Cash flow information (AASB 107 (40)(c))	Yes Yes Yes (with further reduced disclosures) No	Yes No Yes (with reduced disclosures) No	Yes No * No * Yes

Appendix B: Disclosure obligations of ‘tier 2’ general purpose financial statements vs special purpose financial statements

Financial statement note	NEW AASB 1060 SDS	OLD RDR	OLD SPFS
Discontinued operations - Separate presentation of assets and disposal groups classified as held for sale in the balance sheet (AASB 101(54)(j),(p); AASB 1060 (35)(r),(s)) - Single amount of profit or loss of discontinued operations (AASB 101(82)(ea); AASB 1060(52)(e)) - Description of discontinued operation (AASB 5(41)(a); AASB 1060(47)) - Financial performance of discontinued operation (AASB 5(33)) - Tax expense relating to discontinued operations (AASB 112(81)(h)) - Cash flows of discontinued operations (AASB 5(33)(c)) - Details of the sale of the subsidiary or other business: disposal consideration and carrying amount of assets/liabilities sold (AASB 107(40))	Yes Yes Yes No No No	Yes Yes Yes No Yes Yes No	Yes Yes No * No * No * No * Yes
Interests in other entities (AASB 12) - Judgements and assumptions made in relation to non-control and agency/principal relationship (AASB 12(7); AASB 1060(104)(b)) - Composition of the group (AASB 12(10)(a)) - Significant restrictions (AASB 12(13); AASB 1060(104)(d)) - Risks associated with interests in consolidated structured entities (AASB 12(15),(17)) - Investment entities and interests in unconsolidated subsidiaries (AASB 12(9A),(9B),(19A)-(19G),(24),(26),(30)-(31)) - Information about interests in joint arrangements and associates (AASB 12(20)-(23); AASB 1060(125)-(128),(129)-(131)) - Investments in associates accounted for under cost model: disclose dividends and distributions recognised as income (AASB 1060(126))	Yes (but only where control with <50% of voting rights **) No (but see related party disclosures below) Yes (with further reduced disclosures) No No Yes (with further reduced disclosures) ** but additional disclosure of share of discontinued operations Yes	Yes (with reduced disclosures) Yes (with reduced disclosures) Yes (with reduced disclosures) Yes (with reduced disclosures) Yes (with reduced disclosures) No	No * No * No * No * No * No *
Contingencies (AASB 137(86),(89); AASB 1060(154),(155))	Yes	Yes	No (but often necessary to provide a true and fair view)
Commitments Commitments re property, plant and equipment, intangible assets, investment property (AASB 116(74)(c), AASB 138(122)(e), AASB 140(75)(h); AASB 1060 (135)(b),(138)(d),(132)(d))	Yes	Yes	No *
Related party transactions - Relationship between a parent and its subsidiaries, name of parent and ultimate parent (AASB 124(13) and AASB 101(138)(c); AASB 1060(192)) - Key management personnel compensation (AASB 124(17); AASB 1060(194)) - Other related party disclosures (AASB 124(18)-(24); AASB 1060(197)-(203)) - Government-related entities: disclose a parent-subsidiary relationship with a state (government) (AASB 1060(200))	Yes Yes (with reduced disclosures / same as RDR) Yes Yes	Yes Yes (with reduced disclosures) Yes No	Yes No * No * No *

Appendix B: Disclosure obligations of 'tier 2' general purpose financial statements vs special purpose financial statements

Financial statement note	NEW AASB 1060 SDS	OLD RDR	OLD SPFS
Share-based payments (AASB 2(44)-(47); AASB 1060(164)-(168))	Yes (with reduced disclosures / same as RDR)	Yes (with reduced disclosures)	No *
Remuneration of auditors (AASB 1054(10),(11); AASB 1060(98, 99))	Yes	No	Yes
Assets pledged as security (various standards)	Yes	Yes	No *
Summary of significant accounting policies New accounting standards and interpretations issued but not yet applicable (AASB 108(30))	No	No	Yes
* While non-reporting entities do not need to comply with the relevant standards, they may need to disclose similar information where the amounts are material and the information is relevant to an understanding of the financial statements, or to provide a true and fair view. References: AASB 101 paragraphs 97 and 112(c) and section 297 of the <i>Corporations Act 2001</i>. ** While the Simplified Disclosure Standard does not require disclosure of specific judgements made, for example in applying the revenue or consolidation standard, there is still a general requirement to disclose any judgements made that have a significant effect on the amounts recognised in the financial statements (AASB 1060(96)).			

Appendix C: Abbreviations

Abbreviations used in this publication are set out below.

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AASB (Number)	Accounting Standards issued by the AASB
AASB (Number)R	Revised accounting standard – not yet operative (e.g. AASB 1053 as amendment by AASB 2020-2 <i>Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</i>)
AASB-I (Number)	Interpretations issued by the AASB
ABN	Australian Business Number
ACN	Australian Company Number
ADI	Authorised Deposit-taking Institution
AfS	Available-for-sale (financial assets)
AFSL	Australian Financial Services Licence
AGM	Annual General Meeting
AGS	Auditing Guidance Statements
APES	Standards issued by the Accounting Professional & Ethical Standards Board (APESB)
APS	Miscellaneous Professional Statements
APRA	Australian Prudential Regulation Authority
ASA	Auditing Standards issued by the AUASB under the <i>Corporations Act 2001</i>
ASIC	Australian Securities and Investments Commission
ASIC Act	Australian Securities and Investments Commission Act 2001
ASIC CPc	ASIC Consultation Paper
ASIC IR	ASIC Information Releases
ASIC RG	ASIC Regulatory Guide
ASIC (Number)	ASIC Class Orders
ASX	ASX Limited, trading as Australian Securities Exchange
ASX (Number)	ASX Listing Rules
AUASB	Auditing and Assurance Standards Board
bps	basis points
CA	<i>Corporations Act 2001</i>
CAANZ	Chartered Accountants in Australia and New Zealand
CGC (Number)	ASX Corporate Governance Council - Principles of Good Corporate Governance and Best Practice Recommendations
CGU	Cash-Generating Unit
CODM	Chief operating decision maker
CPA	CPA Australia
CR	Corporations Regulations 2001
CSF	Crowd-sourced equity funding
DP	Discussion Papers
ED	Accounting Exposure Drafts
ED securities	Enhanced Disclosure securities
ESMA	European Securities and Markets Authority

FRC	Financial Reporting Council
FRS	Financial Reporting Standard (UK)
FVLCD	Fair value less cost of disposal
FVTOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVTPL	(Financial assets/liabilities at) fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
GGS	General Government Sectors
GPFS	General Purpose Financial Statements
GS	Guidance Statements issued by the AUASB
GST	Goods and Services Tax
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAEW	Tech UK Institute of Chartered Accountants in England and Wales Technical Release
IFRIC	Interpretations issued by the IFRS Interpretations Committee of the IASB
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
LTI	Long-term Incentive
MEC group	Multiple Entry Consolidated group
MIS	Managed Investment Scheme
NFP	Not-for-Profit
NCI	Non-controlling interest
OCI	Other comprehensive income
PSASB	Public Sector Accounting Standards Board (former)
RDR	Reduced Disclosure Regime
RCF	(Revised) Conceptual Framework for Financial Reporting as issued by the AASB in May 2019
SAC	Statements of Accounting Concepts
STI	Short-term Incentive
TSR	Total shareholder return
UIG	Urgent Issues Group
UIG (Number)	UIG Interpretations

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Notes