VALUE ACCOUNTS Holdings Limited

Annual financial reporting

December 2017

pwc

This publication presents the sample annual and interim financial reports of a fictitious public company, VALUE ACCOUNTS Holdings Limited. It illustrates the financial reporting requirements that would apply to such a company under Australian Accounting Standards on issue at 30 September 2017. Supporting commentary is also provided. For the purposes of this publication, VALUE ACCOUNTS Holdings Limited is listed on the Australian Securities Exchange and is the parent entity in a consolidated entity.

Reporting requirements include:

- Australian Accounting Standards
- Interpretations issued by the Australian Accounting Standards Board (AASB) and the Urgent Issues Group (UIG)
- *Corporations Act 2001*
- Australian Securities & Investments Commission releases
- Listing Rules of the Australian Securities Exchange

VALUE ACCOUNTS Holdings Limited 2017 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, 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 any action based on this publication or otherwise rely on this publication. 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, its members, employees and agents do not accept or assume any liability, responsibility or duty of care 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 the provision of services. 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 such arrangements are required to be disclosed, and as to the form of any disclosure.

Foreword

This is the last financial year before you have to make some of the most significant changes to accounting practices since the introduction of International Financial Reporting Standards in 2005. The new revenue guidance and changes to the accounting for financial instruments become effective on 1 January 2018 and the new leasing rules start the year after.

Hopefully, your adoption projects for these standards are well under way. If you haven't started yet, I urge you not to wait any longer. PwC has been involved in numerous transition projects and we have found that the devil lies in the detail. Even clients with straightforward business models have discovered that they will have to make changes to their systems and will see their reported results affected in one way or another. You will find useful resources to help you with your adoption on our IFRS – Financial reporting web page (scroll down to "New standards").

VALUE structure and materiality

Our VALUE ACCOUNTS Holdings publication provides practical solutions that will help make your own financial reports less complex and more accessible. The structure used will provide you with possible ideas, but there's no "one size fits all" approach. We recommend you engage with stakeholders who use your financial reports to determine what's most relevant to them.

Remember that this publication is a reference tool, so we've included illustrative disclosures for as many common scenarios as possible rather than removing disclosures based on materiality. However, too much immaterial information can obscure the information that is actually useful to readers so consider carefully what to include and exclude: this should be based on what will help your own investors in their decision making.

Changes in this edition

Preparers of financial reports are currently enjoying a period of calm with only a few limited-scope improvements applicable for the first time for financial years ending 31 December 2017. The only new disclosure that you need to be aware of this year is the requirement to explain changes in liabilities arising from financing activities ('debt reconciliation'), which we have illustrated in note 10(c).

However, ASIC is expecting to see more specific comments about the estimated impact from the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* this year. For 31 December 2017 and 30 June 2018 year-ends this disclosure should include quantitative information wherever possible, as illustrated in note 25(a)(iv).

Unlike previous editions, this publication does not include an interim report for the half-year ending 30 June 2018, as it will require major changes to illustrate the adoption of AASB 9 and AASB 15. We will instead release the interim report as a separate publication, which shows how AASB 9 and AASB 15 are adopted, early next year. We have, however, included a new Appendix J which shows the disclosures that are applicable when an entity has adopted AASB 16 *Leases* as a lessee.

Feedback

We welcome your feedback on the VALUE ACCOUNTS Holdings Limited format and content. Please contact us at IFRS Communications or speak to your usual PwC representative to let us know your thoughts.

Regina Fikkers
Partner
PwC Australia
October 2017

VALUE ACCOUNTS Holdings Limited

Annual and interim financial reporting 2017

Introduction

This publication presents an illustrative annual financial report for a fictitious listed company, VALUE ACCOUNTS Holdings Limited. The report complies with the Australian *Corporations Act 2001* and authoritative pronouncements on issue at 30 September 2017 that are operative for 31 December 2017 reports.

We have attempted to create a realistic set of general purpose financial statements for VALUE ACCOUNTS Holdings Limited, a corporate entity that manufactures goods, provides services and holds investment property. However, as this publication is a reference tool, we have not removed any disclosures based on materiality. Instead, we have included illustrative disclosures for as many common scenarios as possible. Please note that the amounts disclosed in this publication are purely for illustrative purposes and may not be consistent throughout the publication.

New disclosure requirements

The only new disclosure that you will need to be aware of this year is the requirement to provide information about changes in liabilities arising from financing activities ('debt reconciliation'). This is illustrated in note 10(c). None of the other standards that apply for the first time in 2017 required changes to the disclosures in this publication.

However, preparers of financial reports will be expected to provide fairly specific comments about the estimated impact from the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* in their December 2017 financial reports, being the last reporting date before the mandatory adoption of these standards. Note 25(a)(iv) illustrates what type of information entities could disclose in this context.

We have also made a number of minor changes to better align the 'story' of our VALUE ACCOUNT Holdings Limited group with that used in the AASB 9 Appendix (Appendix H). The Appendix now shows how VALUE ACCOUNTS Holdings Limited's financial statements would look if the group had adopted AASB 9 from 1 January 2017. This will allow you to directly compare the two disclosures and identify differences. While each entity will be affected differently by the adoption, we hope that you will find this useful and help with your own transition to the new rules.

Disclosure examples that were not relevant to a group such as VALUE ACCOUNTS Holdings Limited have been moved to the commentary in the Appendix. This includes the detailed credit risk disclosures that apply where an entity has adopted the general expected credit loss model and the disclosures required for financial liabilities designated at fair value through profit or loss. There is also a new Global publication *IFRS 9 for banks,* which provides illustrative disclosures for a medium-sized bank that has adopted IFRS 9.

The new leasing disclosures, applicable when an entity has adopted AASB 16 *Leases* as a lessee, are illustrated in Appendix J.

Changes in accounting policies

There was no need to change any of the accounting policies applied by VALUE ACCOUNTS Holdings Limited this year. Disclosures for changes in accounting policies are illustrated in:

- Appendix H for the adoption of AASB 9 *Financial Instruments*
- Appendix I for the adoption of AASB 15 *Revenue from Contracts with Customers,* and
- Appendix J for the adoption of AASB 16 *Leases.*

Readers should consider whether any of the other standards that are mandatory for the first time for financial years beginning 1 January 2017 could affect their own accounting policies or disclosures. Appendix G contains a full list of standards that apply for the first time to financial reporting periods commencing on or after 1 January 2017 – including those that have only a disclosure impact – as well as a summary of their key requirements.

Early adoption of standards

VALUE ACCOUNTS Holdings Limited generally adopts standards early if they clarify existing practice but do not introduce substantive changes. These include standards issued by the AASB as a result of the International Accounting Standards Board's improvements program, such as AASB 2017-1 *Amendments to Australian Accounting Standards - Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*.

As required under Australian Accounting Standards, the impacts of standards and interpretations that have not been early adopted and that are expected to have a material effect on the entity are disclosed in accounting policy note 25(a). A summary of all pronouncements relevant for annual reporting periods ending on or after 31 December 2017 is included in Appendix G. For updates after the cut-off date for our publication please see our IFRS Reporting Essentials page www.pwc.com.au/assurance/ifrs/reporting-essentials.

Using this publication

The source for each disclosure requirement is given in the reference column. Shading in this column indicates revised requirements that have become applicable for the first time this year. There is also commentary that explains some of the more challenging areas, lists disclosures that have not been included because they are not relevant to VALUE ACCOUNTS Holdings Limited and provides additional disclosure examples.

The appendices provide further information on Australia's financial reporting regime (Appendices A-C); the operating and financial review (management commentary, Appendix D); alternative formats for the statement of profit or loss and other comprehensive income, and the statement of cash flows (Appendix E); and industry-specific disclosures (Appendix F). A summary of all standards that apply for the first time to annual reports beginning on or after 1 January 2017 is included in Appendix G, while abbreviations used in this publication are listed in Appendix K.

Of course, the example disclosures are not the only acceptable form of presenting financial statements; alternative presentations may be acceptable if they comply with the specific disclosure requirements prescribed in Australian accounting standards.

Some of the disclosures in this publication would likely be immaterial if VALUE ACCOUNTS Holdings Limited 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 for illustration purposes only. Disclosures should not be included where they are not relevant or not material in specific circumstances.

Specialised companies and industry-specific requirements

VALUE ACCOUNTS Holdings Limited does not illustrate specific disclosures that are relevant to specialised industries. However, Appendix F provides an illustration and explanation of the disclosure requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 111 *Construction Contracts* and AASB 141 *Agriculture*.

The reporting obligations of entities operating in investment funds industry are contained in another publications in the VALUE ACCOUNTS series. The global series *Illustrative IFRS consolidated financial statements,* which is available via www.pwc.com/ifrs includes illustrative financial statements for banks, entities in the investment property industry and private equity companies.

The disclosure requirements included in VALUE ACCOUNTS Holdings Limited are relevant to corporate reporting entities, non-corporate reporting entities in the private sector, and business undertakings in the public sector. Exceptions relating to certain non-corporate reporting entities and not-for-profit entities are highlighted in relevant commentary sections.

Finally, this publication does not discuss the impact of the reduced disclosure regime on the financial report of eligible entities. This is illustrated and explained in our VALUE ACCOUNTS Reduced Disclosure publication, which is available from www.pwc.com.au/ifrs.

VALUE ACCOUNTS Holdings Limited

ABN XY XYZ XYZ XYZ [1,2]

Annual report – 31 December 2017

Annual report

Quotation of Australian Business Number or Australian Company Number

CA153(1),(2)

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.

ASIC-RG13

2. Guidance on issues relating to the use of ACNs is set out in ASIC Regulatory Guide 13.

Review of operations and activities

3. See Appendix D for requirements governing the review of operations and activities of an entity.

Corporate directory [1,2]

	Directors	M K Hollingworth BEc, FAIM, FAus IMM *Chair* N T Toddington CEng, FAIM *Chief executive officer* J C Campbell BEng A L Cunningham R J Hunter BSc, FTS C A Maxwell BCom, FCA, MBA H G Wells BS, FCPA *Chief financial officer* B C Bristol LLB
ASX(4.10.10) **Listed entities only**	**Secretary**	S M Smith BA, LLB
	Divisional general managers	**Furniture – manufacturing** P M Elliott **IT Consulting** S J McInnes **Furniture – retail** D M Green **Electronic equipment** B D Faraday **Land development and resale** J F Travewski
	Notice of annual general meeting	The annual general meeting of VALUE ACCOUNTS Holdings Limited **will be held at** 350 Harbour Street Sydney **time** 11am **date** Thursday 8 April 2018 A formal notice of meeting is enclosed.
AASB101(138)(a) ASX(4.10.11)	**Principal registered office in Australia**	350 Harbour Street Sydney NSW 2000 (02) 9285 XYXY
ASX(4.10.12) **Listed entities only**	**Share and debenture register**	Independent Registry Firm 250 Western Terrace Park Orchards VIC 3114 1300 XYZ XYZ
	Auditor	PricewaterhouseCoopers Darling Park Tower 2 201 Sussex Street Sydney NSW 1171

Corporate directory

Solicitors	Bristol & Partners 2 Patrick Place Lysterfield VIC 3156
Bankers	Finance Corporation Limited Tower Square Strathfield NSW 2135
Trustee for debenture holders	The Australian Trustee Company Limited 50 Waterside Road Surrey Hills VIC 3127
ASX(4.10.13) **Listed entities only** **Stock exchange listings**	VALUE ACCOUNTS Holdings Limited shares are listed on the Australian Securities Exchange (ASX) and the New Zealand Stock Market (NZSX). The debentures are listed on the ASX.
Website address	www.valueaccounts.com.au

Corporate directory

Entities listed under ASX Listing Rule 1.3.2(b)

1. An entity may be admitted to the ASX under Listing Rule 1.3.2(b) where half or more of its total tangible assets (after raising any funds) are cash or in a form readily convertible to cash and the entity has commitments consistent with its business objectives to spend at least half of its cash and assets readily convertible to cash.

ASX(4.10.19)

2. An entity admitted to the ASX under Listing Rule 1.3.2(b) or required to comply with Listing Rule 1.3.2(b) because of the application of Listing Rule 11.1.3 must state in its first two annual reports after admission (or reinstatement) whether the entity used the cash and assets readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. If the use of the cash and other assets was inconsistent with the business objectives, an explanation of how they were used is required.

Directors' report [1,2,39]

CA299(2)(b)

Your directors present their report on the consolidated entity consisting of VALUE ACCOUNTS Holdings Limited and the entities it controlled at the end of, or during, the year ended 31 December 2017. Throughout the report, the consolidated entity is referred to as the group.

Directors and company secretary

CA300(1)(c)

The following persons were directors of VALUE ACCOUNTS Holdings Limited 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 July 2017 and 1 September 2017 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 July 2017.

CA300(1)(c)

B A Wilson was a director from the beginning of the financial year until his resignation on 29 January 2018.

CA300(10)(d)

The company secretary is Ms S M Smith BA, LLB. Ms Smith was appointed to the position of company secretary in 2012. Before joining VALUE ACCOUNTS Holdings Limited she held a similar position with another listed public company for six years and prior to that worked as a solicitor with a major legal practice.

Principal activities

CA299(1)(c)

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

(a) manufacture and sale of high quality household and commercial office furniture, and

(b) IT consulting including IT management, design, implementation and support.

In addition, the group is also involved in the development and resale of land and the management of investment properties.

CA299(1)(c)

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

(a) Through the acquisition of VALUE IFRS Electronics Group the group is now also involved in the manufacture and sale of electronic equipment.

(b) The group entered into the retail market with the opening of a chain of retail furniture stores.

(c) The machinery hire division was sold in February 2017, ending the group's involvement in this industry.

Dividends – VALUE ACCOUNTS Holdings Limited

CA300(1)(a)

Dividends paid to members during the financial year were as follows:

Comparatives not mandatory

	2017 $'000	2016 [3] $'000
Final ordinary dividend for the year ended 31 December 2016 of 22 cents (2015 – 10 cents) per fully paid share paid on 10 April 2017	**11,586**	5,455
Interim ordinary dividend for the year ended 31 December 2017 of 21 cents (2016 – 10 cents) per fully paid share paid on 10 September 2017	**11,144**	5,467
Preference dividend of 7 cents (2016 – 7 cents) per share paid on 20 August 2017	**107**	107
	22,837	11,029

Dividends – VALUE ACCOUNTS Holdings Limited

CA300(1)(b) Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $11,989,000 (22 cents per fully paid share) to be paid on 10 April 2018 out of retained earnings at 31 December 2017.

CA300(1)(a) Preference dividends for both 2017 and 2016 exclude $660,000 paid on redeemable preference shares classified as debt and charged to profit or loss as interest and finance charges.

Review of operations [4,5]

CA299(1)(a),CA299A ASIC2016/188 Information on the operations and financial position of the group and its business strategies and prospects is set out in the review of operations and activities on pages [x] – [y] of this annual report.

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 $11,637,000 (from $63,426,000 to $75,063,000) as the result of a rights issue, the final call on partly paid ordinary shares, the issue of shares under the dividend reinvestment plan and on the exercise of options granted under the VALUE IFRS Employee Option Plan. Details of the changes in contributed equity are disclosed in note 9(a) to the financial statements.

The company also issued 1,500,000 7% convertible notes for $20 million during the year which are convertible into ordinary shares at the option of the holder or repayable on 23 July 2021 (see note 7(g)).

The net cash received from the increase in contributed equity and the issue of the convertible notes was used principally to repay borrowings that were undertaken to finance the establishment of the furniture retail division, reconstruct and expand the Maitland manufacturing facilities, and acquire shares in VALUE IFRS Electronics Group (see note 14).

VALUE ACCOUNTS Holdings Limited also decided to buy back all 500,000 7% non-redeemable participating preference shares on-market to simplify the company's capital structure. The total cost of the buy-back amounted to $1,380,000, including after-tax transaction cost of $30,000 (see note 9(a)).

The sale of the machinery hire division that was announced in October 2016 was completed on 28 February 2017. For details of the sale see note 15. In addition, VALUE IFRS Manufacturing Limited closed its Queensland factory and transferred the manufacturing of all furniture to the Maitland factory. Ongoing economic advantages are expected to flow from this rationalisation. A parcel of land that has become vacant as result of the move is currently in the process of being sold (see note 15).

Events since the end of the financial year

CA299(1)(d) Since 31 December 2017 VALUE ACCOUNTS Holdings Limited has acquired 87.5% of the issued shares in Better Office Furnishings Limited, a manufacturer of office furniture and equipment, for cash consideration of $11,750,000 and contingent consideration of $280,000 (see note 19).

The fair value of the net identifiable assets of the company at the date of acquisition has been provisionally determined to be $12,390,000 and the purchased goodwill is estimated at $1,360,000.

No other matter or circumstance has arisen since 31 December 2017 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 [6]

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 Holdings Limited and Bold Eagle Enterprises Inc. of the USA. This company will be called Bold VALUE IFRS Pty Ltd and will utilise the skills of Bold Eagle in network management to expand the group's involvement in IT consulting activities

(b) the proposed acquisition of the 65% of the issued share capital of Cuddly Bear Plc that is not already beneficially owned by the group. If successfully completed, this acquisition should generate a significant increase in sales and profits of the land development and resale division in future years.

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

Environmental regulation [7-9]

CA299(1)(f) The group is subject to significant environmental regulation in respect of its land development and manufacturing activities.

Land development approvals

Planning approvals are required for the clearing of land for development under state-based legislation and local council regulations. The relevant authorities are provided with regular updates, and to the best of the directors' knowledge, all activities have been undertaken in compliance with the requirements of the planning approvals.

Manufacturing

The group holds environmental licences for its manufacturing sites in New South Wales. 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. These requirements arise under the *Protection of the Environment Operations Act 1997, the Environmentally Hazardous Chemicals Act 1985* and the *Waste Avoidance and Resource Recovery Act 2001.*

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 2016/17 report to the Greenhouse and Energy Data Officer on 24 October 2017.

Information on directors [10-13]

The following information is current as at the date of this report. [13]

CA300(10)(a)	**M K Hollingworth BEc, FAIM, FAus IMM.** *Chair – non-executive.*		
CA300(10)(a)	Experience and expertise	Independent non-executive director for eight years and Chair for six years. Extensive experience in property development including five years as CEO of Property Holdings Limited	
CA300(11)(e)	Other current directorships	Non-executive director of three other public companies: BAX Limited (director since 2013), DEF Limited (director since 2014) and GHI Limited (director since 2011). Also a member of the Property and Construction Institute Advisory Council since 2014	
CA300(11)(e)	Former directorships in last 3 years	Non-executive director of JKL Limited from 2010 to 2016	
CA300(10)(a)	Special responsibilities	Chair of the board Chair of nomination committee Member of remuneration committee	
CA300(11)(a)	Interests in shares and options	Ordinary shares – VALUE ACCOUNTS Holdings Limited	82,000
		Ordinary shares – Lion plc (parent entity)	5,000

CA300(10)(a)	**N T Toddington CEng, FAIM.** *Chief executive officer.*		
CA300(10)(a)	Experience and expertise	Chief executive officer for four years. Former managing director of public companies involved in furniture manufacturing and the finance industry. Member of BCA Strategy Council	
CA300(11)(e)	Other current directorships	None	
CA300(11)(e)	Former directorships in last 3 years	None	
CA300(10)(a)	Special responsibilities	Chief executive officer	
CA300(11)(a),(c)	Interests in shares and options	Ordinary shares – VALUE ACCOUNTS Holdings Limited (VAHL)	100,740
		Options over ordinary shares – VAHL	661,000
		Rights over ordinary shares – VAHL	16,096
		Ordinary shares – Lion plc (parent entity)	4,000

CA300(10)(a)	**H G Wells BA, FCPA.** *Chief financial officer.*		
CA300(10)(a)	Experience and expertise	With VALUE ACCOUNTS Holdings Limited since July 2017 as chief financial officer and as financial controller for seven years	
CA300(11)(e)	Other current directorships	None	
CA300(11)(e)	Former directorships in last 3 years	None	
CA300(10)(a)	Special responsibilities	Chief financial officer	
CA300(11)(a),(c)	Interests in shares and options	Ordinary shares – VALUE ACCOUNTS Holdings Limited (VAHL)	67,473
		Options over ordinary shares – VAHL	203,000
		Rights over ordinary shares – VAHL	5,387

CA300(10)(a)	**J C Campbell BEng.** *Non-executive director.*		
CA300(10)(a)	Experience and expertise	Non-executive director for eleven years. Former managing director of STU Limited, a major consulting firm	
CA300(11)(e)	Other current directorships	Non-executive director of two other public companies: MNO Limited (director since 2014), PQR Limited (director since 2012)	
CA300(11)(e)	Former directorships in last 3 years	Non-executive director of VWX Limited from 2008 to 2015	
CA300(10)(a)	Special responsibilities	Member of nomination committee and remuneration committee	
CA300(11)(a)	Interests in shares and options	Ordinary shares – VALUE ACCOUNTS Holdings Limited	71,716

	A L Cunningham. *Independent non-executive director.*		
CA300(10)(a)	Experience and expertise	Independent non-executive director for two years. Director of a number of real estate agencies over the last twenty years	
CA300(11)(e)	Other current directorships	Non-executive director of Combined Construction Company Pty Ltd (director since 2015)	
CA300(11)(e)	Former directorships in last 3 years	Managing director of XYZ Real Estate Pty Ltd from 2010 to 2015	
CA300(10)(a)	Special responsibilities	Member of audit committee and nomination committee	
CA300(11)(a),(c)	Interests in shares and options	Ordinary shares – VALUE ACCOUNTS Holdings Limited	71,000
		Ordinary shares – Lion plc (parent entity)	4,000

Information on directors [10-13]

CA300(10)(a)	**R J Hunter BSc, FTS.** *Independent non-executive director.*		
CA300(10)(a)	Experience and expertise	Independent non-executive director for three years. Former CEO of a global search firm	
CA300(11)(e)	Other current directorships	Non-executive director of two other public companies in related industries: CDE Limited (director since 2010), FGH Limited (director since 2013)	
CA300(11)(e)	Former directorships in last 3 years	None	
CA300(10)(a)	Special responsibilities	Member of audit committee. Member of nomination committee.	
CA300(11)(a),(c)	Interests in shares and options	Ordinary shares – VALUE ACCOUNTS Holdings Limited	74,059

CA300(10)(a)	**C A Maxwell BCom, FCA, MBA.** *Independent non-executive director.*		
CA300(10)(a)	Experience and expertise	Independent non-executive director for six years. Ex-partner of a major accounting practice. Member of the Council of The Institute of Chartered Accountants in Australia	
CA300(11)(e)	Other current directorships	Chair of TSR Limited (director since 2010) and non-executive director of two other public companies: QPO Limited (director since 2014) and NML Limited (director since 2015)	
CA300(11)(e)	Former directorships in last 3 years	Non-executive director of PTV Limited from 2009 to 2015	
CA300(10)(a)	Special responsibilities	Chair of audit committee Member of remuneration committee	
CA300(11)(a),(c)	Interests in shares and options	Ordinary shares – VALUE ACCOUNTS Holdings Limited	71,000

CA300(10)(a)	**B A Wilson MA (Cantab).** *Independent non-executive director.*		
CA300(10)(a)	Experience and expertise	Independent non-executive director for eight years. Professor in Commercial Law at the University of Perth. Former CEO of a major land development company. Resigned 29 January 2018	
CA300(11)(e)	Other current directorships	Non-executive director of two other public companies: KJI Limited (director since 2010), HGF Limited (director since 2013)	
CA300(11)(e)	Former directorships in last 3 years	Non-executive director of ACD Limited from 2012 to 2016	
CA300(10)(a)	Special responsibilities	Member of audit committee. Chair of remuneration committee	
CA300(11)(a),(c)	Interests in shares and options	Ordinary shares – VALUE ACCOUNTS Holdings Limited	73,200
		Ordinary shares – Lion plc (parent entity)	2,000

CA300(10)(a)	**B C Bristol LLB.** *Independent non-executive director.*		
CA300(10)(a)	Experience and expertise	Independent non-executive director since September 2017. Partner in the firm of Bristol & Partners, solicitors	
CA300(11)(e)	Other current directorships	None	
CA300(11)(e)	Former directorships in last 3 years	None	
CA300(10)(a)	Special responsibilities	None	
CA300(11)(a),(c)	Interests in shares and options	Ordinary shares – VALUE ACCOUNTS Holdings Limited	71,000

Information on directors [10-13]

CA300(10)(a)	**R T Brown MBA, *FCA*** *Chief financial officer until 31 July 2017.*	
CA300(10)(a)	Experience and expertise	Chief financial officer of VALUE ACCOUNTS Holdings Limited for 12 years
CA300(11)(e)	Former directorships in last 3 years	None
CA300(10)(a)	Special responsibilities	Chief financial officer

Meetings of directors

CA300(10)(b),(c)
CGC(2.6),(4.4),(8.3)

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 31 December 2017, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of non-executive		Meetings of committees					
					Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B	A	B
M K Hollingworth	10	10	2	2	**	**	2	2	3	3
J C Campbell	10	10	2	2	**	**	1	2	3	3
A L Cunningham	7	10	2	2	3	4	2	2	**	**
R T Brown (retired 31 July 2017)	5	5	*	*	**	**	**	**	**	**
R J Hunter	9	10	2	2	4	4	2	2	**	**
C A Maxwell	10	10	2	2	4	4	**	**	3	3
N T Toddington	9	10	*	*	**	**	**	**	**	**
H G Wells (appointed 31 July 2017)	5	5	*	*	**	**	**	**	**	**
B A Wilson	10	10	2	2	4	4	**	**	3	3
B C Bristol (appointed 1 September 2017)	3	3	-	-	**	**	**	**	**	**

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a non-executive director
** = Not a member of the relevant committee

Companies that are disclosing entities only

Remuneration report [39-40]

The directors present the VALUE ACCOUNTS Holdings Limited 2017 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

Listed companies that are disclosing entities only

Remuneration report [39-40]

(a) Key management personnel covered in this report

CR2M.3.03(1) Items1-4

Non-executive and executive directors (see pages 11 to 14 for details about each director)	
R T Brown (until 31 July 2017)	C A Maxwell
J C Campbell	N T Toddington
A L Cunningham	B C Bristol (from 1 September 2017)
M K Hollingworth	H G Wells (from 31 July 2017)
R J Hunter	BA Wilson

Other key management personnel

Name	Position
P M Elliott	Manager Furniture – manufacturing
D M Green	Manager Furniture – retail
S J McInnes	Manager IT consulting
B D Faraday	Manager Electronic equipment
W P Shanahan	Manager Land development and resale (until 9 December 2017)
R J Jackson	Manager Machinery hire (until 31 December 2016)

Changes since the end of the reporting period

CR2M.3.03(1)Item5

B A Wilson resigned from the position of non-executive director on 29 January 2018.

CA300A(1)(a)

(b) Remuneration policy and link to performance

Our remuneration committee is made up of independent non-executive directors. The committee reviews and determines our remuneration policy and structure annually to ensure it remains aligned to business needs, and meets our remuneration principles. From time to time, the committee also engages external remuneration consultants to assist with this review, see page 28 for further information. In particular, the board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent
- aligned to the company's strategic and business objectives and the creation of shareholder value
- transparent and easily understood, and
- acceptable to shareholders.

Figure 1: Remuneration framework

CA300A(1)(a),(ba)

Element	Purpose	Performance metrics	Potential value	Changes for FY 2018
Fixed remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at median market rate	Reviewed in line with market positioning
STI	Reward for in-year performance, retention via 50% deferral (shares)	Adjusted EBITDA, Group market share, customer satisfaction, employee engagement, individual performance	CEO: 60% of FR Execs: 60% of FR	Introduce non-financial metrics: safety based on lost time injury frequency rates (LTIFR)
LTI	Alignment to long-term shareholder value	3 year relative TSR performance	CEO: 100% of FR Execs: 60% of FR	Introduce EPS hurdle in conjunction with TSR

Listed companies that are disclosing entities only

Remuneration report[39-40]

CA300A(1)(b)

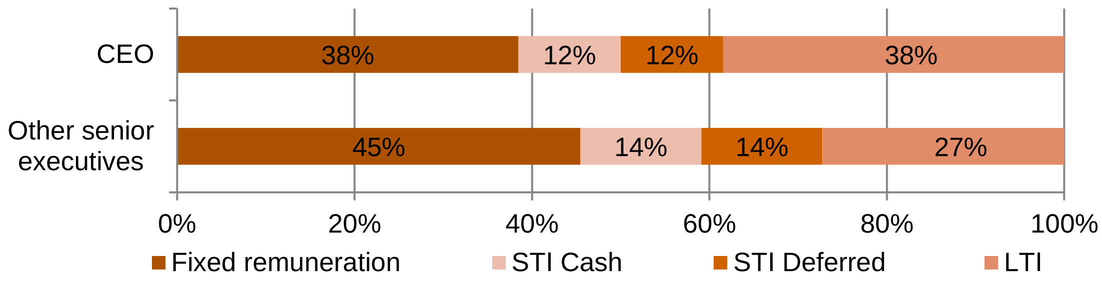
Balancing short-term and long-term performance

Annual incentives are set at a maximum of 60% of fixed remuneration, in order to drive performance without encouraging undue risk-taking. Sustainability of results is also ensured by the deferral of 50% of short-term incentives for two years. This also encourages talent retention.

Long-term incentives are assessed over a three year period and are designed to promote long-term stability in shareholder returns.

The target remuneration mix for FY 2017 is shown in figure 2 below. It reflects the STI opportunity for the current year that will be available if the performance conditions are satisfied at target, and the value of the LTIP options granted during the year, as determined at the grant date.

Figure 2: Target remuneration mix for FY 2017



Assessing performance and claw-back of remuneration

CA300A(1)(ba)(iii)

The remuneration committee is responsible for assessing performance against KPIs and determining the STI and LTI to be paid. To assist in this assessment, the committee receives detailed reports on performance from management which are based on independently verifiably data such as financial measures, market share and data from independently run surveys.

ASX CGC(8.2)

In the event of serious misconduct or a material misstatement in the company's financial statements, the remuneration committee can cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years. [27]

Maintaining sustainable performance – future approach

Not mandatory

The Group is coming out of a period of high growth in key markets but anticipates significant tightening in those markets in the next 2-5 years. In order to increase the focus on sustainable performance, the remuneration committee proposes to progressively shift the weighting of STI and LTI in the executives' mix to comprise approximately 50% at-risk pay. This will be done through awarding remuneration increases primarily in form of incentive pay. Measures of performance will also be reviewed to place greater weight on those non-financial indicators of performance that will improve sustainability of operations.

(c) Elements of remuneration

(i) Fixed annual remuneration (FR)

CA300A(1)(a)

Executives may receive their fixed remuneration as cash, or cash with non-monetary benefits such as health insurance, car allowances and tax advisory services. FR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The committee aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

For most executives, superannuation is included in FR. An exception are the CEO and the former CFO who both receive retirement benefits that will be a defined lump sum based on years of service and final average salary.

In FY 2017, fixed remuneration was increased for 3 executives, with an average increase of 5%. This was done to align the remuneration with the median level for comparative roles. No fixed remuneration increase was given to any other executive KMP.

Listed companies that are disclosing entities only

Remuneration report [39-40]

(ii) Short-term incentives

CA300A(1)(a),(ba)
CR2M.3.03(1)
Item12(b),(c)

Figure 3: Structure of the short-term incentive plan

<table>
<tr><th>Feature</th><th colspan="4">Description</th></tr>
<tr><td>Max opportunity</td><td colspan="4">CEO and other executives: 60% of fixed remuneration</td></tr>
<tr><td rowspan="7">Performance metrics</td><td colspan="4">The STI metrics align with our strategic priorities of market competitiveness, operational excellence, shareholder value and fostering talented and engaged people.</td></tr>
<tr><th>Metric</th><th>Target</th><th>Weighting</th><th>Reason for selection</th></tr>
<tr><td>Adjusted EBITDA</td><td>30% increase</td><td>50%</td><td>Reflects improvements in both revenue and cost control</td></tr>
<tr><td>Increase group's market share in the electronic equipment industry</td><td>8% increase</td><td>20%</td><td>Focus of the group's growth strategy for the next 5 years</td></tr>
<tr><td>Improve customer satisfaction as measured through the net promoter score</td><td>10% increase</td><td>10%</td><td>Retention of customers and increasing market share</td></tr>
<tr><td>Develop and retain key talent, and improve employee engagement measured through an independently run survey</td><td>10% increase</td><td>10%</td><td>Reducing staff turnover will reduce costs and hence improve EBITDA</td></tr>
<tr><td>Individual performance metrics</td><td>Specific to individuals</td><td>10%</td><td>Targeted metrics have been chosen that are critical to individual roles</td></tr>
<tr><td>Delivery of STI</td><td colspan="4">50% of the STI award is paid in cash at the end of the financial year
50% of the STI award is deferred for two years into shares and is subject to forfeiture on resignation. This encourages retention and shareholder alignment.</td></tr>
<tr><td>Board discretion</td><td colspan="4">The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any deferred STI award.</td></tr>
</table>

Listed companies that are disclosing entities only

Remuneration report[39-40]

(iii) Long-term incentives

Executive KMP participate, at the board's discretion, in the LTIP comprising annual grants of options which are subject to a 3 year relative TSR performance condition. Further detail is shown in figure 4 below:

300A(1)(a),(ba)
CR2M.3.03(1)
Item12(b),(c)

Figure 4: Structure of the long-term incentive plan

<table>
<tr><th>Feature</th><th colspan="4">Description</th></tr>
<tr><td>Opportunity/
Allocation</td><td colspan="4">CEO: 100% of fixed remuneration; Other executives: ~60% of fixed remuneration. The opportunity is divided by the Black-Scholes value of options to determine the number of instruments.</td></tr>
<tr><td rowspan="6">Performance hurdle</td><td colspan="4">Relative TSR is assessed over 3 years to the end of FY 2020, compared to a peer group of 20 ASX listed companies. Vesting will occur based on the company's positioning in the peer group. This is designed to focus executives on delivering sustainable long-term shareholder returns.</td></tr>
<tr><th>TSR ranking</th><th>Proportion to vest</th><th colspan="2">Peer companies</th></tr>
<tr><td>Less than 50th percentile</td><td>0%</td><td rowspan="4">North Albany Retail Company Limited
Swan & Co Limited
Melaleuca Limited
Ambrose Trading Limited
XYZ Limited
Burrows Supply Limited
Example Public Company
BAX Trading & Co Limited
The Wholesale Company Limited
Chairs & More Limited
Trundle Limited</td><td rowspan="4">Laurel Office Furniture Limited
Endeavour Limited
Jabiru Consulting Limited
Clarence Furniture Inc Limited
Nonsense Consulting Limited
Incomplete Solutions Limited
Toads & Company Limited
Pink & Purple Limited
Kiwi Down Under Limited</td></tr>
<tr><td>50th percentile</td><td>50%</td></tr>
<tr><td>At or above 75th percentile</td><td>100%</td></tr>
<tr><td colspan="2">Pro-rata vesting occurs between the 50th and 75th percentile</td></tr>
<tr><td>Exercise price</td><td colspan="4">The options' exercise price is determined based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the week up to and including the date of the grant.</td></tr>
<tr><td>Forfeiture and termination</td><td colspan="4">Options will lapse if performance conditions are not met. Options will be forfeited on cessation of employment unless the board determines otherwise, eg in the case of retirement due to injury, disability, death or redundancy.</td></tr>
</table>

(d) Link between remuneration and performance

FY 2017 performance and impact on remuneration

The Group's performance in 2017 remained strong despite difficult trading conditions in our Australian and New Zealand markets. Management delivered an EBITDA result well above target, while not compromising on our core metrics of customer satisfaction and employee engagement. For more information on strategic priorities and 2017 results, see page [x] of the operating and financial review.

CA300A(1)(ba)

As a result of the continued high financial performance and resulting strong shareholder returns, the Board awarded senior management between 55% and 77% of the maximum short-term incentives. Senior management also received benefits in the form of shares and options after satisfying the required service and performance conditions. These equity instruments had been granted in prior years under the short-term and long-term incentive schemes.

Listed companies that are disclosing entities only

Disclosure of actual performance against metrics not mandatory

Remuneration report [39-40]

Figure 5: Performance against key measures and impact on variable remuneration

Metric	Target	Performance	Impact on incentive award
STI		*Average 60% of maximum STI awarded*	
Adjusted EBITDA	30% increase	38% increase from FY 2016	Above target
Group's market share	8% increase	5% increase	Below target
Customer satisfaction	10% increase	15% increase	Above target
Talent, and employee engagement	10% increase	15% increase	Above target
LTI		*Full vesting from prior year grant*	
3 year TSR	Greater than 50th percentile of ASX 100 peer group	85th percentile	100% vesting

Statutory performance indicators

CA300A(1)(b)

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. Figure 6 below shows measures of the group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs, see figure 5 above. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

CA300A(1)(b),(1AA),(1AB)

Figure 6: statutory key performance indicators of the group over the last five years

	2017	2016	2015	2014	2013
Profit for the year attributable to owners of VALUE ACCOUNTS Holdings Limited ($'000)	34,023	25,958	15,233	(2,300)	13,569
Basic earnings per share (cents)	56.0	43.9	28.3	(9.2)	12.4
Dividend payments ($'000)	22,837	11,029	12,200	-	13,700
Dividend payout ratio (%)	67.1	42.5	80.1	n/a	101.0
Increase/(decrease) in share price (%)	+7.3	+5.3	+20.1	(15.3)	+2.4
Total KMP incentives as percentage of profit/(loss) for the year(%)	3.1	3.1	5.9	16.0	4.3

Not mandatory

The dividend payout ratio is calculated based on dividends paid and profit for the year.

Listed companies that are disclosing entities only

Remuneration report [39-40]

(e) Remuneration expenses for executive KMP

The following table shows details of the remuneration expense recognised for the group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Figure 7: Executive remuneration [3,21-26]

CR2M.3.03(1)Items6-11
CA300A(1)(e)(i)

Improvement

Totals not mandatory

		Fixed remuneration					Variable remuneration				
Name	**Year**	**Cash salary ***	**Non-monetary benefits ***	**Annual and long service leave ****	**Post-employment benefits *****	**Other ^**	**Cash bonus ***	**Rights to deferred shares ^^, #**	**Options #**	**Total**	**Performance rel.**
Executive directors											
N T Toddington	**2017**	**350,000**	**52,958**	**7,987**	**30,500**	**-**	**80,000**	**57,649**	**278,750**	**857,844**	**49%**
	2016	285,000	50,345	7,345	28,500		50,000	52,053	137,739	610,982	39%
H G Wells (from 31/7/2017) ##	**2017**	**178,500**	**50,664**	**6,450**	**21,135**		**50,000**	**25,238**	**103,966**	**435,953**	**41%**
	2016	-	-	-	-	-	-	-	-	-	-
R T Brown *(from 1/1/2016 – 31/7/2017)*	**2017**	**120,500**	**28,950**	**2,453**	**13,000**		**-**	**(39,404)**	**(117,086)**	**8,413**	**- ###**
	2016	198,148	41,584	5,678	23,367		40,000	36,279	58,339	403,395	33%
Other key management personnel (group)											
P M Elliott	**2017**	**175,000**	**46,821**	**4,567**	**21,500**	**-**	**40,000**	**35,000**	**108,811**	**431,699**	**43%**
	2016	165,000	44,435	4,897	20,500	100,000	40,000	31,547	53,739	460,118	38%
D M Green	**2017**	**165,500**	**44,996**	**5,481**	**20,500**		**50,000**	**54,970**	**104,431**	**445,878**	**47%**
	2016	155,500	41,824	4,658	19,500		45,000	45,743	54,047	366,272	40%
S J McInnes	**2017**	**160,000**	**44,966**	**4,560**	**20,000**		**50,000**	**42,780**	**74,606**	**396,912**	**42%**
	2016	150,000	41,720	3,465	19,000		45,000	35,648	40,308	335,141	36%
B D Faraday	**2017**	**160,000**	**43,490**	**3,468**	**19,500**		**44,000**	**19,827**	**-**	**290,285**	**22%**
	2016	-	-	-	-	-	-	-	-	-	-
W P Shanahan *(from (1/1/2016 – 9/12/2017)*	**2017**	**129,000**	**29,292**	**4,564**	**16,000**	**115,500**	**40,000**	**(11,357)**	**(33,239)**	**289,760**	**9%**
	2016	127,000	28,708	3,878	15,000		36,000	11,358	61,660	283,604	38%
R J Jackson *(from (1/1 – 31/12/2016)*	**2017**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2016	148,000	39,374	2,798	18,500		40,000	(29,970)	(40,737)	177,965	5%
Total executive directors and other KMPs	**2017**	**1,438,500**	**342,137**	**39,530**	**162,135**	**115,500**	**354,000**	**184,703**	**520,239**	**3,156,744**	
	2016	1,228,648	287,990	32,719	144,367	100,000	296,000	182,658	365,095	2,637,477	
Total NED remuneration (see figure 8 below)	**2017**	**197,982**			**17,818**					**215,800**	
	2016	190,826			17,174					208,000	
Total KMP remuneration expensed	**2017**	**1,636,482**	**342,137**	**39,530**	**179,953**	**115,500**	**354,000**	**184,703**	**520,239**	**3,372,544**	
	2016	1,419,474	287,990	32,719	161,541	100,000	296,000	182,658	365,095	2,845,477	

* Short-term benefits as per *Corporations Regulation* 2M.3.03(1) Item 6

** Other long-term benefits as per *Corporations Regulation* 2M.3.03(1) Item 8. The amounts disclosed in this column represent the movements in the associated provisions. They may be negative where a KMP has taken more leave than accrued during the year.

CR2M.3.03(1)item10

*** Post-employment benefits of Mr Toddington and Mr Brown are provided through a defined benefit superannuation plan. The amounts disclosed as remuneration represent each person's share of the current service cost of the plan, measured in accordance with AASB 119 *Employee Benefits*. [23,24]

^ Other benefits in include termination benefits paid to Mr Shanahan in 2017 and a sign-on payment received by Mr Elliott on commencement of employment with the group in 2016.

^^ Rights to deferred shares granted under the executive STI scheme are expensed over the performance period, which includes the year to which the bonus relates and the subsequent vesting period of the rights.

\# Equity-settled share-based payments as per *Corporations Regulation 2M.3.03(1) Item 11.* These include negative amounts for options and rights forfeited during the year. [25]

\## Ms Wells was appointed a director on 31 July 2017. Before this appointment she was the group's General Manager – Finance. Amounts shown above include all Ms Well's remuneration during the reporting period, whether as a director or as General Manager. Amounts received in her position as a director amounted to $145,250, made up of cash salary and fees of $82,500, cash bonus of $25,000, non-monetary benefits of $26,047, superannuation of $9,625 and options of $2,078. [26]

\### Percentage of relative proportion of remuneration related to performance not disclosed as the total amount of STI and/or LTI remuneration expense was negative for the relevant period.

Listed companies that are disclosing entities only

Remuneration report [39-40]

(f) Contractual arrangements with executive KMPs

CR2M.3.03(1)Item13
CA300A(1)(e)(vii)

Component	CEO description	Senior executive description
Fixed remuneration	$280,500	Range between $145,000 and $225,000
Contract duration	Ongoing contract	Ongoing contract
Notice by the individual/company	6 months	3 months
Termination of employment (without cause)	Entitlement to pro-rata STI for the year Unvested LTI will remain on foot subject to achievement of the performance hurdles at the original date of testing The Board has discretion to award a greater or lower amount	
Termination of employment (with cause) or by the individual	STI is not awarded, and all unvested LTI will lapse Vested and unexercised LTI can be exercised within a period of 30 days from termination.	

CR2M.3.03(1)Item13
CA300A(1)(e)(vii)

Different contractual terms apply to the following individuals:

- In addition to the above, the group is committed to pay the CEO and the CFO up to $250,000 each in the event of a change of control of the group.
- Mr McInnes' contract is for a fixed term of 3 years commencing 1 January 2016 and the notice period is 9 months for either party.
- Mr W P Shanahan's contract was for a fixed term of 3 years commencing 1 January 2016 and was terminated on 10 December 2017. He was entitled to a termination payment for the lesser of 9 months or the remainder of contract term.
- Mr P M Elliott received a sign-on payment of $100,000 as compensation for lapsed incentive payments from his previous employer; it was paid on 1 January 2016 and included in the remuneration disclosure for the prior year (see previous page)

(g) Non-executive director arrangements

CR2M.3.03(1)Item13

Non-executive directors receive a board fee and fees for chairing or participating on board committees, see table below. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. The chairman does not receive additional fees for participating in or chairing committees.

Fees are reviewed annually by the board taking into account comparable roles and market data provided by the board's independent remuneration adviser. The current base fees were reviewed with effect from 1 January 2018.

The maximum annual aggregate directors' fee pool limit is $350,000 and was approved by shareholders at the annual general meeting on 7 April 2017.

CR2M.3.03(1)Item13

	From 1 January 2018	From 1 January 2016 to 31 December 2017
Base fees		
Chair	$60,000	$55,000
Other non-executive directors	$30,000	$26,000
Additional fees		
Audit committee – Chair	$7,000	$4,000
Audit committee – member	$4,000	$2,000
Nomination committee – Chair	$3,000	$3,000
Nomination committee – member	$2,000	$2,000
Remuneration committee – Chair	$4,000	$3,000
Remuneration committee – member	$3,000	$2,000

CR2M.3.03(1)Item13

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Listed companies that are disclosing entities only

Remuneration report [39-40]

CR2M.3.03(1)Items6-11
Breakdown by fee type not required

Figure 8: Non-executive director remuneration

Name	Year	Base fee	Audit committee	Nomination Committee	Remuneration Committee	Superan-nuation	Total
M K Hollingworth *Chair*	**2017**	**50,459**	**-**	**-**	**-**	**4,541**	**55,000**
	2016	50,459	-	-	-	4,541	55,000
J C Campbell	**2017**	**23,853**	**-**	**1,835**	**1,835**	**2,477**	**30,000**
	2016	23,853	-	1,835	1,835	2,477	30,000
A L Cunningham	**2017**	**23,853**	**1,835**	**1,835**	**-**	**2,477**	**30,000**
	2016	23,853	1,835	1,835	-	2,477	30,000
R J Hunter	**2017**	**23,853**	**1,835**	**1,835**	**-**	**2,477**	**30,000**
	2016	23,853	1,835	1,835	-	2,477	30,000
C A Maxwell	**2017**	**23,853**	**3,670**	**-**	**1,835**	**2,642**	**32,000**
	2016	23,853	3.670	-	1,835	2,642	32,000
B A Wilson	**2017**	**23,853**	**1,835**	**-**	**2,752**	**2,560**	**31,000**
	2016	23,853	1,835	-	2,752	2,560	31,000
B C Bristol *(appointed 1 September 2016)*	**2017**	**7,156**	**-**	**-**	**-**	**644**	**7,800**
	2016	-	-	-	-	-	-
Total non-executive director remuneration	**2017**	**176,881**	**9,174**	**5,505**	**6,422**	**17,818**	**215,800**
	2016	169,725	9,174	5,505	6,422	17,174	208,000

(h) Additional statutory information

(i) Performance based remuneration granted & forfeited during the year

Figure 9 shows for each KMP how much of their STI cash bonus was awarded and how much was forfeited. It also shows the value of options that were granted, exercised and forfeited during FY 2017 The number of options and deferred shares and percentages vested/forfeited for each grant are disclosed in section (iii) on pages 24 to 26 below.

CA300A)1)(e)(ii)-(iv)
CR2M.3.03(1)
Item12(h),(e),(f)

Figure 9: Performance based remuneration granted and forfeited during the year [39]

	Total STI bonus (cash and deferred shares)			LTI Options	
2017	**Total opportunity $**	**Awarded %**	**Forfeited %**	**Value granted * $**	**Value exercised ** $**
N T Toddington	260,000	65	35	450,000	63,130
H G Wells	150,000	66	34	126,000	49,220
R T Brown	97,000	-	100	-	-
P M Elliott	146,000	55	45	144,000	23,540
D M Green	139,000	72	28	126,000	27,820
S J McInnes	135,000	74	26	108,000	17,120
B D Faraday	134,000	75	25	-	-
W P Shanahan	105,000	77	23	162,000	27,820

CA300A(1)(e)(ii) * The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

CA300A(1)(e)(iii) ** The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

Listed companies that are disclosing entities only

Remuneration report [39-40]

(ii) Terms and conditions of the share-based payment arrangements

Options [28]

CR2M.3.03(1)Item12

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

CR2M.3.03(1) Item12(a),(g), Item15(b)(i),(ii),(iv),(v)

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% Vested
1 November 2014	1 November 2017	30 October 2019	$5.28	$1.67	> 75th percentile	100%
1 November 2015	1 November 2018	30 October 2020	$5.51	$1.70	to be determined	n/a
1 November 2016	1 November 2019	30 October 2021	$5.78	$1.75	to be determined	n/a
1 November 2017	1 November 2020	30 October 2022	$6.18	$1.80	to be determined	n/a

The number of options over ordinary shares in the company provided as remuneration to key management personnel is shown in figure 10 below. The options carry no dividend or voting rights. See page 18 above for the conditions that must be satisfied for the options to vest.

When exercisable, each option is convertible into one ordinary share of VALUE ACCOUNTS Holdings Limited 14 days after the release of the half yearly and annual financial results to the market. The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Securities Exchange during the week up to and including the date of grant.

Rights to deferred shares [28]

CR2M.3.03(1) Item12(a),(g) Item15(b)(i)

Rights to deferred shares under the executive STI scheme are granted on 28 February each year. The shares vest after two years from the grant date. On vesting, each right automatically converts into one ordinary share. The executives do not receive any dividends and are not entitled to vote in relation to the rights during the vesting period. If an executive ceases employment before the rights vest, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

The fair value of the rights is determined based on the market price of the company's shares at the grant date, with an adjustment made to take into account the two year vesting period and expected dividends during that period that will not be received by the employees.

Grant date	Vesting date	Grant date value
28 February 2017	28 February 2019	$5.50
28 February 2016	28 February 2018	$5.71
28 February 2015	28 February 2017	$5.35

Listed companies that are disclosing entities only

Remuneration report[39-40]

(iii) Reconciliation of options, deferred shares and ordinary shares held by KMP[30,31]

Figure 10: Options

CR2M.3.03(1) Item17(g),(h)

The table below shows a reconciliation of options held by each KMP from the beginning to the end of FY 2017. There were no vested options as at 1 January 2017. All vested options were exercisable.

CR2M.3.03(1)Item15(a), Item17, Item16(a)

CA300A(1)(e)(iv)

2017 Name & Grant dates	Balance at the start of the year	Granted as compen-sation	Vested		Exer-cised	Forfeited		Other chan-ges	Balance at the end of the year	
	Unvested		Number	%		Number	%		Vested and exer-cisable	Unvested
N T Toddington										
1 Nov 2017	-	250,000	-		-	-		-	-	250,000
1 Nov 2016	170,000	-	-		-	-		-	-	170,000
1 Nov 2015	150,000	-	-		-	-		-	-	150,000
1 Nov 2014	150,000	-	150,000	100	(59,000)	-		-	91,000	-
H G Wells										
1 Nov 2017	-	70,000	-		-	-		-	-	70,000
1 Nov 2016	65,000	-	-		-	-		-	-	65,000
1 Nov 2015	60,000	-	-		-	-		-	-	60,000
1 Nov 2014	54,000	-	54,000	100	(46,000)	-		-	8,000	-
R T Brown										
1 Nov 2017	-	-	-		-	-		-	-	-
1 Nov 2016	80,000	-	-		-	80,000	100	-	-	-
1 Nov 2015	65,000	-	-		-	65,000	100	-	-	-
1 Nov 2014	55,000	-	-		-	55,000	100	-	-	-
P M Elliott										
1 Nov 2017	-	80,000	-			-		-	-	80,000
1 Nov 2016	70,000	-	-			-		-	-	70,000
1 Nov 2015	60,000	-	-			-		-	-	60,000
1 Nov 2014	56,000	-	56,000	100	(22,000)	-		-	34,000	
D M Green										
1 Nov 2017	-	70,000	-		-	-		-	-	70,000
1 Nov 2016	65,000	-	-		-	-		-	-	65,000
1 Nov 2015	60,000	-	-		-	-		-	-	60,000
1 Nov 2014	55,000	-	55,000		(26,000)	-		-	29,000	
S J McInnes										
1 Nov 2017	-	60,000	-		-	-		-	-	60,000
1 Nov 2016	45,000	-	-		-	-		-	-	45,000
1 Nov 2015	42,000	-	-		-	-		-	-	42,000
1 Nov 2014	40,000	-	40,000	100	(16,000)	-		-	24,000	
W P Shanahan										
1 Nov 2017	-	90,000	-		-	(90,000)	100	-	-	-
1 Nov 2016	80,000	-	-		-	(80,000)	100	-	-	-
1 Nov 2015	75,000	-	-		-	(75,000)	100	-	-	-
1 Nov 2014	52,000	-	52,000	100	(26,000)	-		(26,000)	-	-

CR2M.3.03(1)Item16(c)

The amounts paid per ordinary share on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
29 November 2017	$5.28

No amounts are unpaid on any shares issued on the exercise of options.

Listed companies that are disclosing entities only

Remuneration report [39-40]

Figure 11: Rights to deferred shares

This table shows how many deferred shares were granted, vested and forfeited during the year.

CR2M.3.03(1)Item17 Item12(e),(f),(g),(h)

Name	Year granted	Balance at start of year	Granted during year	Rights to deferred shares: Vested		Rights to deferred shares: Forfeited		Balance at end of year (unvested)	Maximum value yet to vest **
		Number	Number	Number	%	Number	%	Number	%
N T Toddington	2018 *	-	-	-	-	-	-	-	54,762
	2017	-	9,091	-	-	-	-	9,091	18,453
	2016	7,005	-	-	-	-	-	7,005	2,143
	2015	14,019	-	14,019	100	-	-	-	-
H G Wells	2018 *	-	-	-	-	-	-	-	34,226
	2017	-	3,636	-	-	-	-	3,636	7,381
	2016	1,751	-	-	-	-	-	1,751	536
	2015	-	-	-	-	-	-	-	-
R T Brown	2017	-	7,273	-	-	(7,273)	100	-	-
	2016	7,881	-	-	-	(7,881)	100	-	-
	2015	5,607	-	5,607	100		-	-	-
P M Elliott	2018 *	-	-	-	-	-	-	-	27,381
	2017	-	7,273	-	-	-	-	7,273	14,762
	2016	4,378	-	-	-	-	-	4,378	1,340
	2015	6,542	-	6,542	100	-	-	-	-
D M Green	2018 *	-	-	-	-	-	-	-	34,226
	2017	-	8,182	-	-	-	-	8,182	16,608
	2016	13,135	-	-	-	-	-	13,135	4,019
	2015	4,673	-	4,673	100	-	-	-	-
S J McInnes	2018 *	-	-	-	-	-	-	-	32,226
	2017	-	8,182	-	-	-	-	8,182	16,608
	2016	6,130	-	-	-	-	-	6,130	1,867
	2015	6,168	-	6,168	100	-	-	-	-
B D Faraday	2018 *	-	-	-	-	-	-	-	30,119
	2017	-	1,818	-	-	-	-	1,818	3,691
	2016	1,401	-	-	-	-	-	1,401	429
	2015	935	-	935	100	-	-	-	-
W P Shanahan	2018 *	-	-	-	-	-	-	-	-
	2017	-	6,545	-	-	(6,545)	100	-	-

* Shares for the deferred portion of the 2017 STI will be granted on 28 February 2018. The number of shares will depend on the VALUE ACCOUNTS Holdings Limited's share price over the five days prior to the grant date.

CR2M.3.03(1)Item12(h)

** The maximum value of the deferred shares yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed. For the 2017 grant, the maximum value yet to vest for this grant was estimated based on the share price of the company at 31 December 2017. The minimum value of deferred shares yet to vest is nil, as the shares will be forfeited if the vesting conditions are not met.

Listed companies that are disclosing entities only

Remuneration report [39-40]

CR2M.3.03(1)Item18

Figure 12: Shareholdings

2017 Name	Balance at the start of the year	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the year [31]	Balance at the end of the year
Ordinary shares					
N T Toddington	23,369	59,000	14,019	4,352	100,740
H G Wells	18,214	46,000	-	3,259	67,473
R T Brown [30]	10,000	-	5,607	(15,607)	-
M K Hollingworth	80,000	-	-	2,000	82,000
J C Campbell	70,310	-	-	1,406	71,716
A L Cunningham	70,000	-	-	1,000	71,000
R J Hunter	72,372	-	-	1,687	74,059
C A Maxwell	70,000	-	-	1,000	71,000
B A Wilson	72,000	-	-	1,200	73,200
B C Bristol	-	-	-	11,000	11,000
P M Elliott	22,714	22,000	6,542	2,671	53,927
D M Green	17,539	26,000	4,673	2,894	51,106
S J McInnes	14,249	16,000	6,168	(3,191)	33,226
B D Faraday	-	-	-	11,000	11,000
W P Shanahan	13,059	26,000	-	(39,059)	-
7% non-redeemable participating preference shares					
N T Toddington	3,000	-	-	(3,000)	-

CR2M.3.03(1)Item18(f)

None of the shares above are held nominally by the directors or any of the other key management personnel.

(iv) Loans given to key management personnel

Details of loans made to directors of VALUE ACCOUNTS Holdings Limited and other key management personnel of the group, including their close family members and entities related to them, are set out below.

	Name	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Highest indebtedness during the year
		$	$	$	$	$
CR2M.3.03(1)Item21	B D Faraday	-	25,750	7,300	210,000	220,000
CR2M.3.03(1)Item20	Other individuals *	406,300	56,929	16,262	517,450	

* Loans to 6 individuals that did not exceed $100,000 at any time.

CR2M.3.03(1)Item20(g)
CR2M.3.03(1)Item21(g)

Loans outstanding at the end of the current and prior year include an unsecured loan to a director of VALUE ACCOUNTS Holdings Limited of $60,000 which was made for a period of two years and is repayable in full on 30 March 2018. Interest is payable on this loan at the rate of 8% per annum.

All other loans to key management personnel are for periods of 10 years repayable in quarterly instalments, at interest rates of 5% per annum, and are secured by first mortgages over the individuals' residences.

CR2M.3.03(1)Item20(c)
CR2M.3.03(1)Item21(c)

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

CR2M.3.03(1)Item20(d)
CR2M.3.03(1)Item21(d)

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

Listed companies that are disclosing entities only

Remuneration report [39-40]

(v) Other transactions with key management personnel [32-36]

CR2M.3.03(1)Item22

A director, Mr A L Cunningham, is a director and a controlling shareholder of Combined Construction Company Pty Ltd. VALUE ACCOUNTS Holdings Limited entered into a contract with Combined Construction Company Pty Ltd during the year for the construction of a warehouse building. The contract was based on normal commercial terms and conditions.

CR2M.3.03(1)Item22

The wife of Mr A L Cunningham, a director, is a director and majority shareholder of Elephant Limited. VALUE ACCOUNTS Holdings Limited has rented an office building from Elephant Limited for the past three years. The rental agreement is based on normal commercial terms and conditions.

CR2M.3.03(1)Item22

A director, Mr B C Bristol, is a partner in the firm of Bristol & Partners, Solicitors. Bristol & Partners has provided legal services to VALUE ACCOUNTS Holdings Limited and certain of its subsidiaries for several years on normal commercial terms and conditions.

CR2M.3.03(1)Item22

Mr D M Green, manager of the furniture division, is a director of Llama Pty Ltd and has the capacity to significantly influence decision making of that company. VALUE ACCOUNTS Holdings Limited owns shares in Llama Pty Ltd on which it receives dividends on the same basis as other shareholders.

CR2M.3.03(1)Item22

Aggregate amounts of each of the above types of other transactions with key management personnel of VALUE ACCOUNTS Holdings Limited:

Comparatives not mandatory

		2017	2016
		$	$
CR2M.3.03(1)Item23(a)	*Amounts recognised as revenue*		
	Dividends received	**8,100**	7,800
CR2M.3.03(1)Item23(b)	*Amounts recognised as expense*		
	Legal fees	**38,390**	25,720
	Rent of office building	**570,400**	550,300
		608,790	576,020
CR2M.3.03(1)Item23(c)	*Amounts recognised as property, plant and equipment*		
	Construction of warehouse building	**155,475**	-

CR2M.3.03(3B)

During the year, the group also sold household furniture for domestic use to key management personnel within a normal employee relationship on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with an unrelated individual at arm's length in the same circumstances.

CR2M.3.03(1)Item24

Amounts recognised as assets and liabilities

At the end of the reporting period the following aggregate amounts were recognised in relation to the above transactions:

Comparatives not mandatory

	2017	2016
	$	$
Non-current assets	**155,475**	-
Current liabilities (amounts payable)	**196,375**	91,294

Listed companies that are disclosing entities only

CA300A(1)(h)

Remuneration report [39-40]

(vi) Reliance on external remuneration consultants

In August 2017, the remuneration committee engaged PricewaterhouseCoopers (PwC) to review its existing remuneration policies and to provide recommendations on executive short-term and long-term incentive plan design. PwC was paid $40,500 for these services.

PwC has confirmed that any remuneration recommendations have been made free from undue influence by members of the group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- PwC was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the board.
- The report containing the remuneration recommendations was provided by PwC directly to the chair of the remuneration committee; and
- PwC was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, PwC was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

In addition to providing remuneration recommendations, PwC also provided advice on other aspects of the remuneration of the group's employees, and various audit and non-audit services. For these services PwC was paid a total of $280,300. Details of these services are disclosed on page 31 of the directors' report and in note 2X to the financial statements.

CA300A(1)(g)

(vii) Voting of shareholders at last year's annual general meeting [37,40,41]

VALUE ACCOUNTS Holdings Limited received more than 90% of "yes" votes on its remuneration report for the 2016 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Disclosure of remuneration received not mandatory

ASIC RG230.56
Disclosure only required if alternative remuneration amounts are disclosed

(i) Voluntary information: remuneration received [38]

The amounts disclosed in figure 13 below as executive KMP remuneration for FY 2017 reflect the actual benefits received by each KMP during the reporting period. The remuneration values disclosed below have been determined as follows:

Fixed remuneration

Fixed remuneration includes base salaries received, payments made to superannuation funds, the taxable value of non-monetary benefits received and any once-off payments such as sign-on bonuses or termination benefits, see figure 7 above for details.

Fixed remuneration excludes any accruals of annual or long-service leave.

Short-term incentives

The cash STI benefits represent the bonuses that were awarded to each KMP in relation to FY 2017 and which were paid in February 2018.

The vested deferred shares shown in figure 13 below are shares granted as remuneration in February 2015 and which vested in February 2017. They were valued based on the entity's share price on the vesting date.

Long-term incentives

The value of vested options was determined based on the intrinsic value of the options at the date of vesting, being the difference between the share price on that date and the exercise price payable by the KMP. The options that vested in FY 2017 were granted in November 2014.

Listed companies that are disclosing entities only

Remuneration report [39-40]

Figure 13: Remuneration received during the period

Executive	Fixed remuneration	Awarded STI (cash)	Vested deferred STI	Vested LTI	Total value
N T Toddington – CEO	$402,958	$80,000	$77,103	$135,000	$695,061
H G Wells – CFO	$250,299	$50,000	-	$48,600	$348,899
R T Brown – CFO (until 31/1/2016)	$149,450	-	$30,839	-	$180,289
P M Elliott – MD Furniture manufacturing	$243,321	$40,000	$35,981	$50,400	$369,702
D M Green – MD Furniture retail	$230,996	$50,000	$25,701	$49,500	$356,197
S J McInnes – MD IT consulting	$224,966	$50,000	$33,925	$36,000	$344,891
B D Faraday – MD Electronic equipment	$222,990	$44,000	$5,140	-	$272,130
W P Shanahan – MD Machinery hire (until 9/12/2017)	$289,792	$40,000	-	$46,800	$376,592
Total executive KMP	**$2,014,772**	**$354,000**	**$208,689**	**$366,300**	**$2,943,761**
Non-executive directors	$215,800	-	-	-	$215,800
Total KMP remuneration	**$2,230,572**	**$354,000**	**$208,689**	**$366,300**	**$3,159,561**
As % of adjusted EBITDA					**4.22%**

ASIC RG230.56

The amounts disclosed in figure 13 above are not the same as the remuneration expensed in relation to each KMP in accordance with the accounting standards ($3,372,544 for 2017, see figure 7 on page 20). The directors believe that the remuneration received is more relevant to users for the following reasons:

- The statutory remuneration expensed is based on historic cost and does not reflect the value of the equity instruments when they are actually received by the KMPs.
- The statutory remuneration shows benefits before they are actually received by the KMPs.
- Where options or deferred shares do not vest because a market-based performance condition is not satisfied (eg an increase in the company's share price), the company must still recognise the full amount of expenses even though the KMPs will never receive any benefits.
- Share-based payment awards are treated differently under the accounting standards depending on whether the performance conditions are market conditions (no reversal of expense) or non-market conditions (reversal of expense where shares fail to vest), even though the benefit received by the KMP is the same (nil where equity instruments fail to vest).

The information in this section has been audited together with the rest of the remuneration report.

Shares under option [28,29]

(a) Unissued ordinary shares

CA300(1)(e),(3),(6)(a),(b)

Unissued ordinary shares of VALUE ACCOUNTS Holdings Limited under option at the date of this report are as follows:

CA300(1)(d),(e),(3),(6)(b)-(d)

Date options granted	Expiry date	Issue price of Shares	Number under option
1 November 2014	30 October 2019	$5.28	263,600
1 November 2015	30 October 2020	$5.51	569,000
1 November 2016	30 October 2021	$5.78	641,000
1 November 2017 *	30 October 2022	$6.18	728,000
			2,201,600

CA300(6)(e)

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

CA300(1)(d)

* Included in these options were options granted as remuneration to the directors and the five most highly remunerated officers during the year. Details of options granted to key management personnel are disclosed on pages 24 and 25 above. In addition, the following options were granted to officers who are among the five highest remunerated officers of the company and the group, but are not key management persons and hence not disclosed in the remuneration report:

Name of officer	Date granted	Issue price of Shares	Number of options granted
S M Smith [29]	1 November 2017	$6.18	50,000

CA300(1)(d)

No options were granted to the directors or any of the five highest remunerated officers of the company since the end of the financial year.

(b) Shares issued on the exercise of options

CA300(1)(f),(3),(7)

The following ordinary shares of VALUE ACCOUNTS Holdings Limited were issued during the year ended 31 December 2017 on the exercise of options granted under the VALUE IFRS Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of Shares	Number of shares issued
1 November 2014	$5.28	228,000
		228,000

Insurance of officers and indemnities

(a) Insurance of officers [14-16]

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

During the financial year, VALUE ACCOUNTS Holdings Limited paid a premium of $65,425 to insure the directors and secretaries of the company and its Australian-based 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.

(b) Indemnity of auditors [15]

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

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

Proceedings on behalf of the company [17]

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*.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

CA300(11B)(a)

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services provided during the year are set out below.

CA300(11B)(b),(c),(11D)

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

APES110(290)

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

CA300(11B)(a),(11C)

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2017	2016 [3]
	$	$
Other assurance services		
PricewaterhouseCoopers Australian firm:		
Audit of regulatory returns	**24,900**	24,500
Due diligence services	**-**	10,300
Network firms of PwC Australian firm	**6,300**	5,500
Total remuneration for other assurance services	**31,200**	40,300
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	**25,000**	23,700
International tax consulting and tax advice on mergers and acquisitions	**20,200**	17,500
Total remuneration for taxation services	**45,200**	41,200
Other services		
PricewaterhouseCoopers Australian firm:		
Remuneration advice (including remuneration recommendations)	**40,500**	29,200
Benchmarking services	**12,300**	-
Network firms of PricewaterhouseCoopers' Australia	**5,500**	7,200
Non- PricewaterhouseCoopers audit firm (Wallaby and Associates)	**7,500**	10,900
Total remuneration for other services	**65,800**	47,300
Total remuneration for non-audit services	**142,200**	128,800

Auditor's independence declaration [18]

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 33.

Rounding of amounts [19]

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. [20]

CA298(2)(c)

M K Hollingworth
Director [20]

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

Sydney
24 February 2018 [20]

pwc

CA298(1AA)(c)
CA307C

Auditor's Independence Declaration [18]

As lead auditor for the audit of VALUE ACCOUNTS Holdings Limited for the year ended 31 December 2017, 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 Holdings Limited and the entities it controlled during the period.

A B Jones
Partner
PricewaterhouseCoopers

Sydney
24 February 2018

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Directors' report

Contents of directors' reports

CA299(2)

1. The tables on pages 41 – 43 summarise the contents of directors' reports by classes of entities. The entity to be reported on is:
   (a) the company, registered scheme or disclosing entity (if consolidated financial statements are not required), or
   (b) the consolidated entity (if consolidated financial statements are required).

Transfer of information from the directors' report

ASIC-RG68(76)-(77C)

2. Entities may transfer certain information otherwise required to be included in the directors' report to other parts of the annual report. For details see page 44.

Comparative figures

CR2M.3.03(2)

3. Comparative figures are not mandatory for directors' reports, but are recommended in the interests of more meaningful disclosure. An exception is the table with key management personnel compensation in the remuneration report, where comparatives must be provided.

Review of operations, financial position, business strategies and prospects

CA299(1)(a)
CA299A(1)

4. 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. In addition, under CA 299A(1) the directors' report of a listed company, registered scheme or other disclosing entity must contain information that members of the company would reasonably require to make an informed assessment of:
   (a) the operations of the entity reported on
   (b) the financial position of the entity
   (c) the entity's business strategies and its prospects for future financial years.

   For more detailed comments about format and content of the review of operations, please refer to Appendix D.

ASIC2016/188

5. Where the review of operations and activities is presented as a separate section in the annual report, but covers disclosures that would ordinarily be included in the review of operations required in the directors' report by CA 299(1)(a) and/or 299A, *ASIC Corporations (Directors' Report Relief) Instrument 2016/188* can be applied to avoid having to repeat the information in the directors' report - see paragraph 2 above and the table on page 44. For the purposes of this illustrative directors' report, it has been assumed that the instrument has been applied and the requirements of CA 299(1)(a) and 299A have been satisfied by referring to a separate review of operations and activities section in the annual report.

Likely developments and expected results of operations – unreasonable prejudice exemption

CA299(3)

6. 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
   (a) identify the adverse consequences that are likely to occur
   (b) consider whether these consequences are reasonable, and
   (c) 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.

Directors' report

Environmental regulation

CA299(1)(f)

7. If the entity's operations are subject to any particular and significant environmental regulation under a Commonwealth, State or Territory law, details of the entity's performance in relation to environmental regulation must be disclosed.

ASIC-RG68(74)

8. ASIC has set out general guidelines in relation to the environmental reporting requirements in Regulatory Guide 68. The guidelines state that:
   (a) the requirements would normally apply where an entity is licensed or otherwise subject to conditions for the purposes of environmental legislation or regulation
   (b) as the requirements are not related specifically to financial disclosures (eg contingent liabilities and capital commitments) but relate to performance in relation to environmental regulation, accounting concepts of materiality in financial statements are not applicable
   (c) the information provided cannot be reduced or eliminated because information has been provided to a regulatory authority for the purposes of any environmental legislation, and
   (d) the information provided would normally be more general and less technical than information provided in any compliance reports to an environmental regulator.
9. As well as complying with the *Corporations Act 2001* requirements for the reporting of environmental performance, listed entities should consider including comments on the management of environmental issues in their review of operations section.

Qualifications, experience and special responsibilities of directors and company secretaries

CA300(10)(a),(d)

10. A public company, other than a wholly-owned subsidiary of another Australian company, must disclose each director's qualifications, experience and special responsibilities, and the qualifications and experience of each person who is a company secretary of the company as at the end of the year. Principle 2 of the Corporate Governance Council guidelines (see the commentary on the corporate governance statement) also includes disclosure requirements relating to directors' experience, qualifications and other matters.

Age of directors

11. Where an entity's constitution provides that directors over a certain age should retire and not seek re-election, the entity should consider disclosing this fact and the ages of their directors in the directors' report, to give an indication of when the directors will reach their mandatory retirement age.

Directors' interests in securities, contracts and other directorships

CA300(11)

12. Listed companies must include the following details for each director:
    (a) their relevant interests in shares of the company or a related body corporate
    (b) their relevant interests in debentures of, or interests in a registered scheme made available by, the company or a related body corporate
    (c) their rights or options over shares in, debentures of, or interests in a registered scheme made available by, the company or a related body corporate
    (d) contracts:
        (i) to which the director is a party or under which the director is entitled to a benefit, and
        (ii) that confer a right to call for or deliver shares in, or debentures of or interests in a registered scheme made available by the company or a related body corporate
    (e) all directorships of other listed companies held by the director at any time in the 3 years immediately before the end of the financial year and the period for which each directorship has been held.

    The meaning of relevant interest for the above purpose is given in Part 6.1 of the *Corporations Act 2001* (sections 608 and 609).
13. The *Corporations Act 2001* no longer specifies the date at which the above interests should be stated. However, the explanatory memorandum to the relevant Bill states that it should be at the date of the directors' report.

Directors' report

Indemnities and insurance premiums for officers and auditors

CA300(8)

14. The directors' report must disclose information about any
    (a) indemnity given to a current or former officer or auditor, and
    (b) 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*.
15. 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 30 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.
16. See Appendix A(o) 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.

Proceedings on behalf of the company

CA300(14),(15)

17. 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

18. 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

19. See Appendix A(n) for commentary on the rounding of amounts in the directors' report and financial report. Note that amounts in the remuneration report can only be rounded to the nearest $1,000 if the entity has (consolidated) assets of more than $1,000 million.

Dating and signing of report

CA298(2)

20. 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.

Directors' report: Remuneration report

Defining compensation and categories

CR2M.3.03(4) AASB124(Aus9.1), (Aus9.1.1)

21. References in the *Corporations Act 2001* to 'remuneration' should be taken as referring to 'compensation' as defined and explained in AASB 124. Remuneration therefore includes all employee benefits (as defined in AASB 119 *Employee Benefits)* and also share-based compensation benefits, being options as well as shares or any other equity instruments issued by the entity in exchange for services rendered by the KMP. It also means that the definitions for short-term and long-term employee benefits from AASB 119 apply. For example, if the entity's annual leave obligations qualify as long-term benefits under AASB 119 because the entity does not expect to settle its annual leave obligations wholly within 12 months of when the relevant services were provided, then they must be presented as long-term benefit in the remuneration table. This is the case even though these balances will in most cases be presented as non-current liabilities in the balance sheet.

Measuring compensation

CR2M.3.03(4)

22. Compensation must be measured in accordance with AASB 119 *Employee Benefits* and AASB 2 *Share-based Payment*. As a result, the amount disclosed as compensation should equal the amount expensed under those standards. This applies also to long service leave; that is, the amount disclosed in the remuneration table as a person's long service leave benefits should reflect the expense (normally the increase in the provision) recognised in relation to this person during the year.

Defined benefit plan

23. It is not clear what amount should be included as an individual's compensation in relation to defined benefit plans. The expense in relation to the membership of a defined benefit plan includes items such as service costs, interest cost and expected return on plan assets. Actuarial gains or losses may also be included in profit or loss as an expense or taken directly to equity.
24. In the absence of further guidance, we would accept the inclusion of only the service cost component or, alternatively, the full expense measured in accordance with AASB 119. If the latter approach is taken, the amount must include any actuarial gains or losses that were recognised either in profit or loss or in other comprehensive income. The approach taken must be applied consistently from year to year and should be explained in a footnote to the remuneration tables.

Negative compensation amounts

25. Where the expense in relation to an employee benefit is negative, this should be reflected in the compensation disclosure. For example, where a share-based payment expense is reversed due to a performance condition not being met, each key management person to whom the expense relates would have a negative amount included in their compensation in that period. In this case, it would be helpful to include an explanatory note.

Key management persons appointed and/or resigned during the period

26. Where a key management person was appointed and/or resigned during the period, only the compensation related to the services rendered while he/she was a key management person should be disclosed. Where a person was appointed as director during the period, but was another type of key management person for some other part of the period, we believe that all remuneration received by such a director during the period, whether as a director or as another key management person, should be disclosed as that director's remuneration.

Claw-back of remuneration

CGC(8.2)

27. The ASX Corporate Governance Council best practice principles and recommendations suggest that the entity's remuneration disclosures should include a summary of the entity's policies and practices regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of performance-based remuneration in the event of serious misconduct or a material misstatement in the entity's financial statements. This information could be provided either in the remuneration report or the corporate governance statement.

Directors' report: Remuneration report

Options granted as remuneration: Directors' report vs remuneration report disclosures

CA300(1)(d)
CR2M.3.03(1)Item15

28. CR 2M.3.03 and section 300(1)(d) of the *Corporations Act 2001* both require disclosure of details of options and rights granted as remuneration. However, there are some differences in the disclosure requirements

	Corporations Act	CR 2M.3.03
Types of grants covered	• Only covers options	• Covers options and rights
Period covered	• Options granted during or since the end of the year	• Options and rights granted during the year only
Persons covered	• Directors and five most highly remunerated officers (other than the directors)	• Key management personnel (as defined in AASB 124)
Parent vs consolidated entity	• The company *	• Consolidated entity only

* The wording of CA 300(1)(d) suggests that information on options granted to the directors and the 5 most highly remunerated officers is only required in relation to directors and officers of the company. However, where the report relates to a consolidated entity, entities should consider whether to provide the information also on a consolidated basis (ie including the 5 most highly remunerated officers of the consolidated entity who are not directors of the parent entity), to be consistent with the disclosures in the remuneration report.

CA9

29. Officers are persons who make, or participate in making, decisions that affect the whole, or a substantial part of the business of the corporation, or who have the capacity to affect significantly the corporation's financial standing or in accordance with whose instructions or wishes the directors of the corporation are accustomed to act. They specifically include directors and secretaries. Where an officer is not also a key management person at the same time (as could be the case for a company secretary), any options granted to him/her will need to be disclosed under section 300(1)(d) if he/she is among the top five remunerated officers of the company/group.

Reconciliation of equity instruments held

Ceasing to be a KMP during the period

30. In our view, disclosure of a key management person's equity holding is not required subsequent to them terminating their employment or directorship with the group. Therefore, in the year in which a key management person leaves the group, we recommend disclosing a nil balance at the end of the year, with the person's holding at the date of termination disclosed as a reduction in their holding. This reduction to nil would be classified as an 'other change'.

Transactions involving equity instruments, other than compensation

CR2M.3.03(1)Item18(d)

31. The details of equity instrument transactions between key management personnel and entities other than the disclosing entity (or any of its subsidiaries), whether on-market or otherwise, are not required to be disclosed. The net effect of any such transactions is included in the column headed 'Other changes during the year', as required by CR2M.3.03(1)Item18(d).

Other transactions

Trivial or domestic transactions on arm's-length basis

CR2M.3.03(3B)

32. Transactions with and amounts receivable from or payable to key management personnel are excluded from the requirements of CR2M.3.03(1) Items 22 to 24 when:
    (a) they occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated individual
    (b) information about them does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of the financial statements, or the discharge of accountability by the director or executive, and
    (c) they are trivial or domestic in nature.

Directors' report: Remuneration report

AASB1046(10.5.1)

33. While there is no definition of 'trivial and domestic' in the *Corporations Regulations* or any of the current accounting standards, the superseded accounting standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* provided the following explanation:

    Transactions or balances are trivial in nature when they are of little or no interest to users of the financial statements in making and evaluating decisions about the allocation of scarce resources. Transactions or balances are domestic in nature when they relate to the personal household activities of individuals.

    In the absence of other guidance, this may provide a helpful interpretation.

Related parties of key management personnel

CR2M.3.03(1)
Items17-24

34. Under the *Corporations Regulations*, transactions must be disclosed if they are between the reporting entity and:
    (a) the KMP him/herself
    (b) a close member of the family (see paragraph 36 below), or
    (c) an entity over which any of these persons have
        (i) direct or indirect control,
        (ii) joint control, or
        (iii) significant influence.
35. This is different to the definition of a related party in paragraph 9 of AASB 124 which is taken from IAS 24 *Related Party Disclosures*. In particular, the *Corporations Regulations* are broader and include entities that are no longer considered to be related parties under the definition in AASB 124. For example, transactions between the reporting entity (A) and an entity (B), over which a director of A has significant influence, still need to be disclosed in the remuneration report of A even though A and B do not qualify as related parties under the definition in paragraph 9 of AASB 124, and hence do not need to be disclosed in the notes.

CR2M.3.03(5)
AASB124(9)

36. Close family members are defined in AASB 124 as those family members who may be expected to influence, or be influenced by, the key management person. They include a person's children and spouse or domestic partner, children of that person's spouse or domestic partner and dependants of that person or that person's spouse or domestic partner.

Voting on the remuneration report at the company's last AGM

37. While it would not be necessary to make any disclosures if no comments or less than 25% of 'no' votes were received, we recommend including a statement to this effect, as illustrated in the sample disclosures provided above.

Disclosure of remuneration calculated on an 'alternative' basis

ASIC-RG230

38. Remuneration disclosures that were not determined in accordance with the accounting standards (eg because the aggregate remuneration includes the value of options vested and exercised rather than the expense determined under AASB 2 *Share-based Payment)* are 'non-IFRS financial information' as defined in ASIC's Regulatory Guide 230 *Disclosing non-IFRS financial information.* Entities should carefully consider the guidance provided in RG 230 in relation to the disclosure of such information in remuneration reports (being documents other than financial reports) and ensure the alternative disclosures are not misleading to users. See Appendix D for a summary of the guidance and page 29 for example disclosures.

Directors' report: Remuneration report

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

39. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

Directors' report – general disclosures

	Item	Nature of disclosure
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(2),(2A)	Amounts paid to the auditor for non-audit services are disclosed in the notes to the financial report	Specify under a heading of "Non-audit services' where the relevant details can be found in the financial report.
CA300(11A)	Modification of auditor rotation requirements	Include details of the declaration made by ASIC under CA342A
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.
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

Remuneration report

	Item	Nature of disclosure
CR2M.3.03(1) Item12(d),Item14	Alterations of the terms of conditions of cash bonuses, performance-related bonuses or share-based payments	Explain details and effects of each alteration. Specified details are required for share-based payments – see item 14.
CA300A(1)(d)	Share-based remuneration not subject to performance conditions	Explain why the remuneration is not depending on performance conditions
CR2M.3.03(1)Item16(b)	Number of options exercised ≠ number of equity instruments issued	Disclose number of options exercised.
CR2M.3.03(1)Item17(h)	Vested options held that are not exercisable	Disclose number of these options at the end of the reporting period
CR2M.3.03(1)Item18(f)	Equity instruments other than options held nominally	Disclose number as at the end of the reporting period
CR2M.3.03(1)Item19	Transactions involving equity instruments that are not share-based payments and which were made other than on arms-length basis	Disclose the nature of the transactions and terms and conditions
CR2M.3.03(1)Item20(d), Items21(d),23(b)(ii)	Loans and other transactions with KMPs – write-downs and allowance for doubtful debts	Disclose amounts recognised (also applies to balances with close family members and entities related to KMPs)
	The company has received 25% or more 'no' votes at the most recent AGM	Explain the board's proposed actions or reason for inaction in response to the 'no' votes received.

Directors' report: Remuneration report

No-votes received at the last AGM

CGC(8.2)

40. Listed disclosing entities that are companies must disclose an explanation of the board's proposed actions, or if the board does not propose any action, the board's reason for inaction if a resolution about the adoption of the remuneration report for the last financial year received 25% or more of 'no' votes at the company's most recent AGM. A same disclosure could be along the following lines:

    At the last AGM, some shareholders expressed the view that the company's long-term incentive scheme did not appear to be effective in improving long-term shareholder returns. As a consequence, 37% of the votes cast at that meeting rejected the adoption of the remuneration report. Following the AGM, the company has employed the services of a remuneration consultant (see page [x] above) and has significantly revised its incentive scheme. The terms and conditions of the new scheme are described on page [y].

Summary of content of directors' report by classes of entities [6]

	Description [1]	Proprietary companies [3]	Non-listed public companies [5]	Listed companies	Other disclosing entities	Non-listed registered schemes	Listed registered schemes	Companies limited by guarantee
CA298(1AA)(c) CA298(1AB)(b)	Copy of the auditor's independence declaration	•	•	•	•	•		•
CA298(1A)	Disclosures regarding additional information to give a true and fair view	•	•	•	•	•		
CA299(1)(a)	Review of operations and results	•	•	•	•	•		
CA299(1)(b)	Any significant change in the state of affairs	•	•	•	•	•		
CA299(1)(c)	Principal activities and any significant change in their nature	•	•	•	•	•		
CA299(1)(d)	Events after end of financial year	•	•	•	•	•		
CA299(1)(e)	Future developments and results	•	•	•	•	•		
CA299(1)(f)	Performance regarding environmental regulation	•	•	•	•	•		
CA299(3)	Exclusion of prejudicial information on future developments and results	•	•	•	•	•		
CA299A(1)	Information on the operations, financial position and business strategies and prospects			•			•	
CA299A(3)	Exclusion of prejudicial information on business strategies and prospects			•			•	

Summary of content of directors' report by classes of entities [6]

	Description [1]	Proprietary companies[3]	Non-listed public companies[5]	Listed companies	Other disclosing entities	Non-listed registered schemes	Listed registered schemes	Companies limited by guarantee
CA300(1)(a)	Dividends paid	•	•	•	•	•		
CA300(1)(b)	Dividends recommended but not paid	•	•	•	•	•		
CA300(1)(c) CA300B(3)(a)	Directors' names and periods for which they were directors	•	•	•	•	•		•
CA300(1)(ca)	Officers who are former auditors	•	•	•	•	•		
CA300(1)(d),(3),(5)	Options granted over unissued shares or interests to directors and the 5 most highly remunerated officers	•	•	•	•	•	•	
CA300(1)(e),(3),(6)	Details of unissued shares or interests under option at the date of the report	•	•	•	•	•	•	
CA300(1)(f),(3),(7)	Details of shares or interests issued as a result of the exercise of an option	•	•	•	•	•	•	
CA300(1)(g),(8),(9)	Indemnification/ insurance of officers or auditors	•	•	•	•[4]	•[4]	•[4]	
CA300(10)(a), CA300B(3)(b)	Directors' qualifications, experience and responsibilities [2]		•	•				•
CA300(10)(b),(c) CA300B(3)(c)	Directors' meeting attendance [2]		•	•				•
CA300(10)(d)	Qualifications and experience of each company secretary [2]		•	•				
CA300(11)(a)-(d)	Directors' interests in securities, including options			•				
CA300(12)	Directors' interests in the scheme, including options						•	
CA300(11)(e)	Directorships of other listed companies held by directors in the last 3 years			•				
CA300(11A)	Details of any ASIC declaration under CA 342A (modification of auditor rotation requirements)			•				
CA300(2A),(11B),(11C),(11D)	Details of non-audit services provided by the auditor, and related statements by the directors			•				
CA300A CR2M.3.03	Remuneration report (for details see paragraphs 21-42 of commentary)			•	• (only if they are companies)			
CA300(13)(a)	Fees paid to the responsible entity and associates					•		
CA300(13)(b)	Number of interests in scheme held by the responsible entity and associates					•	•	

Summary of content of directors' report by classes of entities [6]

	Description [1]	Proprietary companies [3]	Non-listed public companies [5]	Listed companies	Other disclosing entities	Non-listed registered schemes	Listed registered schemes	Companies limited by guarantee
CA300(13)(c)	Interests in the scheme issued during the financial year					•	•	
CA300(13)(d)	Withdrawals from the scheme during the financial year					•	•	
CA300(13)(e)	Value of scheme assets and basis of valuation					•	•	
CA300(13)(f)	Number of interests in scheme at the end of the financial year					•	•	
CA300(14),(15)	Proceedings on behalf of company	•	•	•				
CA300B(1)(a)	Description of short- and long-term objectives							•
CA300B(1)(b)	Strategy for achieving those objectives							•
CA300B(1)(c),(d)	Principal activities during the year and how they assisted in achieving the entity's objectives							•
CA300B(1)(e)	Explanation of how the entity measures its performance							•
CA300B(3)(d)	For each class of membership the amount which a member of that class has to contribute on winding up							•
CA300B(3)(e)	Total amount that members have to contribute on winding up							•
ASIC2016/191	Rounding of amounts in the directors' and financial reports	•	•	•	•	•	•	•

1. Some of the information in the table may be provided in the financial report or a document included with the directors' report and financial report. For a summary of the options refer to page 44.

CA300(10)

2. Wholly-owned subsidiaries of Australian companies are exempted from the requirements of CA 300(10).

CA298(3)

3. A small proprietary company does not have to prepare a directors' report if:
   (a) it is preparing financial statements in response to a shareholder direction under CA 293, and
   (b) the direction specifies that a directors' report need not be prepared.

CA300(1)(g)

4. CA300(1)(g) requires disclosure of indemnities given and insurance premiums paid for an officer or auditor and includes references to CA 300(8) and (9) which prescribe specific details to be provided in directors' reports for companies. These specific details do not appear to apply to registered schemes or other disclosing entities, although CA 300(1)(g) does apply to these entities. Disclosure of similar details is recommended where these entities provide indemnities or pay insurance premiums for an officer or auditor, to comply with CA 300(1)(g).
5. Other than companies limited by guarantee.
6. For an explanation of the different types of entities refer to Appendix B.

Transfer of information from the directors' report

ASIC-RG68(76)-(77C)

Entities may transfer certain information otherwise required to be included in the directors' report to other parts of the annual report. The following table sets out which type of information can be provided where.

			Can be transferred to:		Reference allowing transfer
Section of CA	**Nature of disclosure**	**Type of entity affected**	**Other document***	**Financial report**	
298(1AA)(c), (1AB)(b)	Auditor's independence declaration	Company, registered scheme or disclosing entity	Yes	Yes	ASIC 2016/188
298(1A)	Information included to give a true and view	All	Yes	No	ASIC 2016/188
299	General information about operations and activities	All	Yes	No	ASIC 2016/188
299A	Additional information on the operations, financial position and prospects	Listed * companies * registered schemes * disclosing entities	Yes	No	ASIC 2016/188
300(other than 300(11B) and (11C))	Various specific information	All, except CA 300(10) – (15) apply to specific classes of entities	Yes	Yes	ASIC 2016/188 CA300(2)
300(11B) and (11C)	Non-audit services and auditor independence	Listed companies	No	Yes	CA 300(2), (2A)
300B	Various information	Companies limited by guarantee	Yes	Yes	ASIC 2016/188

* The 'other document' must be included with the directors' report and financial report.

ASIC2016/188

1. Entities taking advantage of the relief provided by *ASIC Corporations (Directors' Report Relief) Instrument 2016/188* (formerly Class Order 98/2395) must comply with the following conditions:
   (a) the directors' report must contain a clear cross reference to the page or pages of the financial report or to the other document containing the transferred information
   (b) the entity must never distribute or make available the directors' report and financial report without the other document, and must take reasonable steps to ensure that no one else distributes or makes those reports available without the other document
   (c) the other document containing the transferred information must be lodged with ASIC as if it were a part of the report required to be lodged under CA 319, and
   (d) any of the transferred information must be included in, or accompany any concise report for the purposes of CA 314 and lodged with ASIC pursuant to CA 319.
2. Any information transferred from the directors' report to the financial report becomes part of the financial report and is covered by the auditor's report.
3. Comparative information is not required for information transferred from the directors' report to the financial report unless that information is also required by an accounting standard.
4. Information that must be included in the remuneration report cannot be transferred out of the report and disclosed elsewhere (eg the notes to the financial statements).

Corporate governance statement [1-6]

Mandatory for listed entities only
ASX(4.10.3)

VALUE ACCOUNTS Holdings Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. VALUE ACCOUNTS Holdings Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2017 corporate governance statement is dated as at 31 December 2017 and reflects the corporate governance practices in place throughout the 2017 financial year. The 2017 corporate governance statement was approved by the board on [insert date]. A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at www.valueaccounts.com.au/aboutus/corporategovernance.

Corporate governance statement

ASX Corporate Governance Listing Rule

ASX(4.10.3)

1. Listed entities must include one the following in their annual report:
   (a) a corporate governance statement (CGS); or
   (b) the URL of the page on their website where the CGS is located.
2. The CGS must:
   (a) disclose the extent to which the listed entity has followed the recommendations set by the ASX Corporate Governance Council (CGC) during the reporting period. If the listed entity has not followed all of the recommendations it must identify those recommendations that have not been followed and give reasons for not following them, together with a description of the alternative governance practices that have been adopted (if any) thereby following an “if not, why not approach”. If a recommendation has been followed for only part of the period, the entity must state the period during which it was not followed.
   (b) specify the date at which it is current, which must be the entity’s balance date or another later date specified by the entity; and
   (c) state that it has been approved by the board of the entity.

CGC best practice recommendations

3. The 3rd edition of the *Corporate Governance Principles and Recommendations* (CGPR) was released by the CGC in 2014. ASX Guidance Note 9 contains a condensed version of the CGPR. The illustrative disclosure on this page assumes that the VALUE ACCOUNTS Holdings Limited has taken advantage of the opportunity to streamline the annual report and has transferred the CGS to its web site. It therefore complies with Listing Rule 4.10.3 by referring to the URL where the CGS can be found, rather than including the CGS in the annual report.

ASX(4.7.3)

4. Under ASX Listing Rule 4.7, listed entities must provide the ASX with a copy of their annual report together with a completed Appendix 4G (*Key to Disclosures – Corporate Governance Council Principles and Recommendations*). If an entity’s CGS is not included in its annual report, the entity must also lodge a copy of its CGS with the ASX at the same time as it lodges its annual report and the Appendix 4G.

Unlisted entities

5. The CGPR are specifically directed at, and only intended to apply to ASX listed entities and unlisted entities are not required to disclose their corporate governance practices. However, unlisted entities may wish to use the CGPR to formulate their governance practices and may also elect to make relevant disclosures on their websites or in their annual reports to demonstrate their commitment to a high level of corporate governance.

Position in the annual report and website

6. Where a listed entity elects to include its CGS:
   (a) in its annual report: the CGS and any related disclosures must be made in a separate corporate governance section of the annual report. This section should not be included in the financial report section upon which the auditor expresses an opinion, or
   (b) on its website: the CGS and any related disclosures must be clearly presented on (or be accessible from) the corporate governance landing page of the entity’s website.

AASB101(49),(51)(a)
CA153(1)

VALUE ACCOUNTS Holdings Limited

ABN XY XYZ XYZ XYZ

Annual financial report – 31 December 2017 [1-12]

AASB101(49)

AASB101(51)(b),(d)

These financial statements are consolidated financial statements for the group consisting of VALUE ACCOUNTS Holdings Limited and its subsidiaries. A list of major subsidiaries is included in note 16.

The financial statements are presented in the Australian currency.

AASB101(138)(a)

VALUE ACCOUNTS Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

VALUE ACCOUNTS Holdings Limited
350 Harbour Street
Sydney NSW 2000.

AASB110(17)

The financial statements were authorised for issue by the directors on 24 February 2018. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.valueaccounts.com.au.

Financial statements

Accounting standard for financial statements presentation and disclosures

AASB101(10)

1. According to AASB 101 *Presentation of Financial Statements*, a 'complete set of financial statements' comprises:
   (a) a statement of financial position as at the end of the period
   (b) a statement of profit or loss and other comprehensive income for the period
   (c) a statement of changes in equity for the period
   (d) a statement of cash flow for the period
   (e) notes, comprising a summary of significant accounting policies and other explanatory notes, and
   (f) if the entity has applied an accounting policy retrospectively, made a retrospective restatement of items or has reclassified items in its financial statements: a statement of financial position as at the beginning of the earliest comparative period.

AASB101(10)

2. The titles of the individual 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

AASB101(38)

3. Except when 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 when it is relevant to an understanding of the current period's financial statements.

   No financial statements prepared in the previous year

AASB101(38)

   Comparative information must be provided even if the entity did not prepare financial statements under the *Corporations Act 2001* in the previous financial year, eg where a small proprietary company became large or foreign controlled during the reporting period. Specific relief from providing comparative information in such cases, which used to be provided by ASIC before Australia's transition to IFRS, is no longer available under Australian Accounting Standards.

AASB101(38B)

4. 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.

Three balance sheets required in certain circumstances

AASB101(40A),(40B)

5. If an entity has
   (a) applied an accounting policy retrospectively, restated items retrospectively, or reclassified items in its financial statements, and
   (b) the retrospective application, restatement or reclassification has a material effect on the information presented in the balance sheet at the beginning of the preceding period,

   it must present a third balance sheet (statement of financial position) as at the beginning of the preceding period (eg 1 January 2016 for 31 December 2017 reporters).

AASB101(40D)

6. The date of the third balance sheet must be the beginning of the preceding period, regardless of whether the entity presents additional comparative information for earlier periods.

AASB101(40C)
AASB108
AASB101(41)

7. Where the entity is required to include a third balance sheet, it must provide appropriate explanations about the changes in accounting policies, other restatements or reclassifications, as required under AASB 101 paragraph 41 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, the entity does not need to include the additional comparatives in the related notes. This contrasts with the position where an entity chooses to present additional comparative information as permitted by AASB 101 paragraphs 38C and 38D.

Financial statements

Consistency

AASB101(45)

8. 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* (eg 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

AASB101(7)

IAS1(BC30F)

9. Whether individual items or groups of items need to be disclosed separately in the primary financial statements or in the notes depends on their materiality. 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. Preparers generally tend to err on the side of caution and disclose rather too much than too little. However, the IASB has emphasised that too much immaterial information could obscure useful information and hence should be avoided.

Primary financial statements should be read in conjunction with accompanying notes

10. VALUE ACCOUNTS Holdings Limited 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.

Australian differential reporting regime

11. Australian entities that are required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* may have up to three options:
    (a) Prepare general purpose financial statements (GPFS) with full disclosures.
    (b) If the entity does not have public accountability: prepare GPFS with reduced disclosures.
    (c) If the entity is not a reporting entity: prepare special purpose financial statements.

    For further information about each of these options, please refer to Appendix A.

Financial statements vs financial report

CA295(1)

12. 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.

Financial statements

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

13. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

Reference	Item	Nature of disclosure
AASB101(38C),(38D)	Additional comparative information (eg third statement of profit or loss and other comprehensive income)	Include the additional comparative information also in the relevant notes
AASB127(17)	Separate financial statements	Disclose why they are prepared, a list of significant investments and the policies applied in accounting for these investments
AASB127(16)(a)	Exemption from preparing consolidated financial statements	Disclose the fact that the exemption has been used and details about the entity that produces consolidated financial statements which include the reporting entity in question
AASB121(51),(53)-(57)	Foreign currency translation	Disclose if the presentation currency is different to 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 entity's functional or presentation currency
AASB101(36)	Reporting period is shorter or longer than one year	Disclose the period covered, the reason for different period and the fact that the amounts are not entirely comparable

CA295(1)(a),(2)(b)
AASB101(10)(b),(10A)
AASB101(51)(c),(e)
AASB101(113)

Consolidated statement of profit or loss [1-8,10,11,21-24,27-37]

Ref		Notes	2017 $'000	2016 Restated * $'000
	Continuing operations			
AASB101(82)(a)	Revenue	3	**197,650**	161,610
AASB101(99), AASB102(36)(d)	Cost of sales of goods		**(49,156)**	(47,580)
	Cost of providing services		**(53,286)**	(36,428)
	Gross profit		**95,208**	77,602
AASB101(99)	Distribution costs		**(35,679)**	(29,373)
AASB101(99)	Administrative expenses		**(17,839)**	(14,686)
	Other income	5(a)	**11,344**	12,033
	Other gains/(losses) – net	5(b)	**5,545**	(125)
	Operating profit [9]		**58,579**	45,451
	Finance income [13]	5(d)	**1,616**	905
AASB101(82)(b)	Finance costs	5(d)	**(7,213)**	(6,272)
	Finance costs – net		**(5,597)**	(5,367)
AASB101(82)(c)	Share of net profit of associates and joint ventures accounted for using the equity method [12]	16(e)	**340**	355
	Profit before income tax		**53,322**	40,439
AASB101(82)(d) AASB112(77)	Income tax expense	6	**(16,786)**	(11,824)
	Profit from continuing operations		**36,536**	28,615
AASB5(33)(a) AASB101(82)(ea)	Profit from discontinued operation (attributable to equity holders of the company) [14]	15	**755**	399
AASB101(81A)(a)	**Profit for the period**		**37,291**	29,014
AASB101(81B)(a)	Profit is attributable to:			
	Owners of VALUE ACCOUNTS Holdings Limited		**34,286**	26,695
	Non-controlling interests		**3,005**	2,319
			37,291	29,014
			Cents	Cents
AASB133(66)	**Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company: [15,16]**			
	Basic earnings per share	22	**55.2**	44.5
	Diluted earnings per share	22	**54.2**	44.3
AASB133(66)	**Earnings per share for profit attributable to the ordinary equity holders of the company:**			
	Basic earnings per share	22	**56.4**	45.2
	Diluted earnings per share	22	**55.4**	45.0

Not mandatory

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CA295(1)(a),(2)(b)
AASB101(10)(b),(10A)

Consolidated statement of comprehensive income

		Notes	2017 $'000	2016 Restated * $'000
AASB101(81A)(a)	**Profit for the period**		**37,291**	29,014
	Other comprehensive income [17-19,25-26]			
AASB101(82A)(b)	*Items that may be reclassified to profit or loss*			
AASB101(82A),(7)(d) AASB139(55)(b)	Changes in the fair value of available-for-sale financial assets	9(c)	**274**	(830)
AASB101(82A),(7)(e) AASB139(95)(a)	Cash flow hedges	9(c)	**(387)**	516
AASB101(82A)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method [18]	9(c)	**20**	15
AASB101(82A),(7)(c) AASB121(32)	Exchange differences on translation of foreign operations	9(c)	**(617)**	185
AASB5(38)	Other comprehensive income arising from discontinued operation [20]	15	**130**	58
AASB101(82A),(7)(c) AASB139(100)	Net investment hedge	9(c)	**190**	-
AASB101(91)	Income tax relating to these items	9(c)	**40**	89
AASB101(82A)(a)	*Items that will not be reclassified to profit or loss*			
AASB101(82A),(7)(a)	Gain on revaluation of land and buildings	9(c)	**7,243**	5,840
AASB101(82A)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method [18]	9(c)	**300**	100
AASB101(82A),(7)(b) AASB119(120)(c)	Remeasurements of post-employment benefit obligations	9(c)	**119**	(910)
AASB101(91)	Income tax relating to these items	9(c)	**(2,298)**	(1,509)
AASB101(81A)(b)	**Other comprehensive income for the period, net of tax**		**5,014**	3,554
AASB101(81A)(c)	**Total comprehensive income for the period**		**42,305**	32,568
AASB101(81B)(b)	Total comprehensive income for the period is attributable to:			
	Owners of VALUE ACCOUNTS Holdings Limited		**39,399**	29,992
	Non-controlling interests		**2,906**	2,576
			42,305	32,568
	Total comprehensive income for the period attributable to owners of VALUE ACCOUNTS Holdings Limited arises from:			
	Continuing operations		**38,514**	29,535
AASB5(33)(d)	Discontinued operations		**885**	457
			39,399	29,992

* See note 11(b) for details regarding the restatement as a result of an error.

Not mandatory

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of profit or loss and statement of comprehensive income

Additional line items

AASB101(85)

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

Framework(QC4),(QC12)

2. Having said that, additional sub-headings should be used with care. The *Conceptual Framework for Financial Reporting* states that to be useful, information must be relevant and faithfully represent what it purports to represent. That is, it must be complete, neutral and free from error. The apparent flexibility in AASB 101 can, therefore, only be used to enhance users' understanding of the company's financial performance. It cannot be used to detract from the amounts that must be disclosed under Australian Accounting Standards (statutory measures).

AASB101(85A)

3. AASB 101 specifically provides that additional subtotals must:
   (a) be comprised of items that are recognised and measured in accordance with Australian Accounting Standards
   (b) be presented and labelled such that they are clear and understandable
   (c) be consistent from period to period
   (d) not be displayed with more prominence than the mandatory subtotals and totals.

   The amendments apply to annual reporting periods commencing on or after 1 January 2017.

4. In addition, we recommend that entities consider the following principles:
   (a) The subtotals should not introduce bias or overcrowd the statement of profit or loss.
   (b) It is generally not permissible to mix natural and functional classifications of expenses where these categories of expenses overlap (see paragraph 30 below).
   (c) Additional line items or columns should contain only contain revenue or expenses of the entity itself.
   (d) Additional line items, columns and subtotals should only be presented when they are used internally to manage the business.
   (e) The overall message of the statement of profit or loss should not be distorted or confused.

ASIC-RG230(Section C)

5. Australian entities must also consider the guidance in ASIC Regulatory Guide 230 *Disclosing non-IFRS financial information* which explains when and how entities may use non-IFRS financial information in financial reports. Non-IFRS financial information is financial information that is presented other than in accordance with all relevant accounting standards. It may exclude certain transactions or may have been determined by applying different recognition and measurement rules. Since the *Corporations Act 2001* sets out an exhaustive list of what can be included in the primary financial statements, entities cannot include non-IFRS financial information in their financial statements and can only provide such information in the notes in the rare circumstances where it is necessary for the financial report to give a true and fair view. In these cases, the directors must explain in the directors' report why they believe the additional information was necessary to give a true and fair view and specify where that additional information can be found.

ASIC-RG230(29)

6. In relation to the inclusion of sub-totals and additional line items in the statement of comprehensive income, the guide reminds entities of the following principles in AASB 101:
   (a) A breakdown of individual items within their relevant category is permitted and even required in certain circumstances, but this doesn't cover the inclusion of sub-totals that are non-IFRS measures (eg alternative profit figures).
   (b) The statement of comprehensive income must show total revenue and total income tax expense/benefit.
   (c) No items of income or expenditure can be presented as 'extraordinary', even if they are given a different name.
   (d) The statement of comprehensive income can only include revenue or expense items and items of other comprehensive income and the items must be measured in accordance with the accounting standards. It is therefore not appropriate, for example, to present an amount of revenue that is based on cash collections.

Statement of profit or loss and statement of comprehensive income

ASIC-RG230(30)(b)

7. ASIC does acknowledge that EBIT (earnings before interest and tax) may be an appropriate sub-heading to show on the face of the statement of comprehensive income, as it can be used to assess interest cover. This line item usually distinguishes between the pre-tax profits arising from operating items and those arising from financing activities.
8. In contrast, a subtotal for earnings before interest, tax, depreciation and amortisation (EBITDA) can only be included where the entity presents its expenses by nature and the subtotal does not detract from the GAAP numbers, either by implying that EBITDA is the 'real' profit or by overcrowding the statement of profit or loss so that the reader cannot determine easily the entity's GAAP performance. Where an entity presents its expenses by function, it will not be possible to show depreciation and amortisation as separate line items in arriving at operating profit, because depreciation and amortisation are types of expense, not functions of the business. In this case, EBITDA can only be disclosed by way of supplemental information.

   Appendix D provides guidance on the use non-GAAP measures in the management commentary.

Operating profit

AASB101(BC56)

9. An entity may elect to include a sub-total for its result from operating activities. While this is permitted, care must be taken that the amount disclosed is representative of activities that would normally be considered to be 'operating'. Items that are clearly of an operating nature, for example inventory write-downs, restructuring or relocation expenses, must not be excluded simply because they occur infrequently or are unusual in amount. Similarly, expenses cannot be excluded on the grounds that they do not involve cash flows (eg depreciation or amortisation). As a general rule, operating profit would be the subtotal after 'other expenses', ie excluding finance costs and the share of profits of equity-accounted investments.

Re-ordering of line items

AASB101(86)

10. Entities should re-order the line items and descriptions of those items where this is necessary to explain the elements of performance. However, entities are again governed by the overall requirement for a 'fair presentation' and should not make any changes unless there is a good reason to do so. For example, it will generally be acceptable to present finance cost as the last item before pre-tax profit, thereby separating financing activities from the activities that are being financed.
11. Another example is the share of profit of associates. Normally, this would be shown after finance cost. However, there may be circumstances when the line item showing the investor's share of the associate's result is included before finance cost. Where the entity presents a subtotal for operating profit, it could be included in operating profit or presented immediately below operating profit. This might apply where the associate (or joint venture) is an integral vehicle through which the group conducts its operations and its strategy.

AASB101(82)(c), AASB118(7) Framework(4.29)

12. However, the share of the profit or loss of associates and joint ventures accounted for using the equity method should not be included as part of the entity's revenue. The share of an associate's or joint venture's profit is in the nature of a net gain. It does not represent a gross inflow of economic benefits and hence does not satisfy the definition of revenue in AASB 118 *Revenue*. Combining the entity's share of the associate's revenue with its own revenue would be inconsistent with the balance sheet treatment where the entity's investment is presented as a separate line item. This is different to the accounting for joint operations where the entity combines its share of the joint operation's revenue with its own. Where a group conducts a significant proportion of its business through equity-accounted investments and wishes to highlight that fact to the reader of the statement of comprehensive income, it may choose to give additional financial information by way of a footnote and cross-reference to the notes.

Statement of profit or loss and statement of comprehensive income

Finance income and finance cost

13. AASB 101 requires an entity to present finance costs on the face of the statement of profit or loss, but it does not require the separate presentation of finance income. The classification of finance income will depend on an entity's accounting policy for such items. Refer to the commentary to note 5 for details.

Discontinued operations

AASB5(33)(a),(b)
AASB101(82)(ea)

14. 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. An analysis of this single amount is also required by paragraph 33 of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. This analysis may be presented in the notes or in the statement of comprehensive income (separate statement of profit or loss). In the case of VALUE ACCOUNTS Holdings Limited it is presented in note 15. If it is presented in the statement of profit or loss it must be presented in a section identified as relating to discontinued operations; that is, separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (refer to paragraph 11 of AASB 5).

Earnings per share

AASB133(73)

15. While entities are permitted to disclose earnings per share based on alternative measures of earnings, these must be presented in the notes to the financial statements only (see note 22).

AASB133(68)

16. An entity that reports a discontinued operation must disclose the basic and diluted amounts per share for the discontinued operation either in the statement of comprehensive income or in the notes to the financial statements. VALUE ACCOUNTS Holdings Limited provides this information in note 22.

Components of other comprehensive income

AASB101(7)

17. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments, see paragraph 26 below) 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 defined benefit obligations
    (c) gains and losses arising from translating the financial statements of a foreign operation
    (d) gains and losses on remeasuring available-for-sale financial assets
    (e) the effective portion of gains and losses on hedging instruments in a cash flow hedge
    (f) the investor's share of the other comprehensive income of equity-accounted investments, and
    (g) current and deferred tax credits and charges in respect of items recognised in other comprehensive income.

AASB101(82A),(139P)

18. Items of OCI arising from equity accounted investments must be presented in total for items which will and will not be reclassified to profit or loss.

Statement of profit or loss and statement of comprehensive income

Summary

19. The requirements surrounding components of OCI can be summarised as follows:

Item	Reference	Requirement in standard	Presentation in VALUE
Each component of OCI recognised during the period, classified by nature	AASB 101(82A)	Statement of comprehensive income	Statement of comprehensive income
Reclassification adjustments during the period relating to components of OCI (see paragraph 26 below)	AASB 101(92)	Statement of comprehensive income or notes	Note 9
Tax relating to each component of OCI, including reclassification adjustments	AASB 101(90)	Statement of comprehensive income or notes	Note 9
Reconciliation for each component of equity, showing separately • profit/loss • OCI • transactions with owners See commentary 1 to 3 on page 62.	AASB 101(106)(d)	Statement of changes in equity and notes, see related commentary	Statement of changes in equity and note 9

Discontinued operations

AASB5(38)

20. 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.

Information to be presented either in the statement of comprehensive income or in the notes

Material items of income and expense

AASB101(97)

21. When items of income and expense are material, their nature and amount must be disclosed separately either in the statement of comprehensive income (statement of profit or loss) or in the notes. In the case of VALUE ACCOUNTS Holdings Limited these disclosures are made in note 4.

AASB101(86),(97)

22. AASB 101 does not provide a specific name for the types of items that should be separately disclosed. Where an entity discloses a separate category of 'exceptional', 'significant' or 'unusual' items either in their statement of comprehensive income or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items must be applied consistently from year to year.

23. Where an entity classifies its expenses by nature, it must take care to ensure that each class of expenses includes all items related to that class. Material restructuring cost may, for example, include redundancy payments (ie employee benefit cost), inventory write-downs (changes in inventory) and impairments in property, plant and equipment. It would not be acceptable to show restructuring costs as a separate line item in an analysis of expenses by nature where there is an overlap with other line items.

24. Entities that classify their expenses by function will have to include the material items within the function to which they relate. In this case, material items can be disclosed as footnote or in the notes to the financial statements.

Statement of profit or loss and statement of comprehensive income

Reclassification adjustments

AASB101(92),(94)

25. An entity shall also disclose separately any reclassification adjustments relating to components of other comprehensive income either in the statement of comprehensive income or in the notes. VALUE ACCOUNTS Holdings Limited provides this information in note 9(c)

AASB101(7),(95)

26. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation, on derecognition or impairment of an available-for-sale financial asset and when a hedged forecast transaction affects profit or loss. They do not arise on changes in a revaluation surplus of property, plant and equipment or remeasurements on defined benefit pension schemes. While these components are also recognised in OCI, they are not reclassified to profit or loss in subsequent periods.

Dividends: statement of changes in equity or notes only

AASB101(107)

27. The amount of dividends recognised as distributions to owners during the period, and the related amount per share must be presented either in the statement of changes in equity or in the notes. In the case of VALUE ACCOUNTS Holdings Limited these disclosures are made in note 13(b).

Classification of expenses

By nature or function

AASB101(99),(100)

28. 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. Entities are encouraged, but not required, to present the analysis of expenses in the statement of comprehensive income (or statement of profit or loss, where applicable).

AASB101(105)

29. The choice of classification between nature and function will depend on historical and industry factors and the nature of the entity. The entity should choose the classification that provides the most relevant and reliable information about its financial performance.
30. Within a functional statement of comprehensive income (statement of profit or loss), costs directly associated with generating revenues should be included in cost of sales. Cost of sales should include direct material and labour costs but also indirect costs that can be directly attributed to generating revenue; for example, depreciation of assets used in the production. Impairment charges should be classified according to how the depreciation or amortisation of the particular asset is classified. Entities should not mix functional and natural classifications of expenses by excluding certain expenses such as inventory write-downs, employee termination benefits and impairment charges from the functional classifications to which they relate.

AASB101(104),(105)

31. Entities classifying expenses by function shall disclose additional information about the nature of their expenses in the notes to the financial statements, see note 5(c). According to AASB 101 this includes disclosure of depreciation, amortisation and employee benefits expense. Other classes of expenses should also be disclosed where they are material, as this information assists users in predicting future cash flows.
32. We have illustrated a classification of expenses by nature on the face of the statement of profit or loss in Appendix C.

Materiality

AASB101(29)

33. Regardless of whether expenses are classified by nature or by function, materiality applies to the classification of expenses. Each material class should be separately disclosed, and unclassified expenses (shown as ‘other expenses’ in VALUE ACCOUNTS Holdings Limited) should be immaterial both individually and in aggregate.
34. The classification of expenses may vary with the type of expense. For example, where expenses are classified by nature, wages and salaries paid to employees involved in research and development (R&D) activities would be classified as employee benefits expense, while amounts paid to external organisations for R&D would be classified as external R&D expense. However, where expenses are classified by function, both the wages and salaries and external payments should be classified as R&D expense.

Statement of profit or loss and statement of comprehensive income

Offsetting

AASB101(32)

35. Assets and liabilities, and income and expenses, must not be offset unless required or permitted by an Australian Accounting Standard. Examples of income and expenses that are required or permitted to be offset are as follows:

AASB101(34)(a)

(a) gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses

AASB101(34)(b)

(b) expenditure related to a provision that is recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and reimbursed under a contractual arrangement with a third party (eg a supplier's warranty agreement) may be netted against the related reimbursement

AASB101(35)

(c) gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. Such gains and losses are, however, reported separately if they are material.

36. Income which falls under the scope of AASB 118 *Revenue* cannot be netted off against related expenses. However, this does not preclude an entity from presenting interest income followed by interest expense and a sub-total such as 'net interest expense' on the face of the statement of profit or loss as we have done in this publication.

Goods and Services Tax (GST)

UIG1031(6),(7)

37. 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 (eg auditor's remuneration - refer to commentary on remuneration of auditors - note 2X) to make it clear that the amounts disclosed are inclusive of non-recoverable GST.

CA295(1)(a),(2)(b)
AASB101(10)(a),(54)

Consolidated balance sheet [1-5]

AASB101(51)(c),(e)
AASB101(113)

Reference		Notes	2017 $'000	2016 Restated * $'000	1 January 2016 Restated *[6] $'000
	ASSETS				
AASB101(60),(66)	**Current assets**				
AASB101(54)(i)	Cash and cash equivalents (excluding bank overdrafts)	7(e)	**57,098**	31,268	25,193
AASB101(54)(h) AASB7(8)(c)	Trade and other receivables	7(a)	**18,935**	12,184	8,243
AASB101(54)(g)	Inventories	8(e)	**22,153**	19,672	18,616
AASB101(54)(d) AASB7(8)(a)	Financial assets at fair value through profit or loss	7(d)	**11,300**	10,915	10,370
AASB101(54)(d) AASB7(8)(a)	Derivative financial instruments	12(a)	**1,854**	1,417	156
			111,340	75,456	62,578
AASB101(54)(j) AASB5(38)	Assets classified as held for sale	8(f),15	**250**	4,955	-
	Total current assets		**111,590**	80,411	62,578
AASB101(60),(66)	**Non-current assets**				
AASB101(54)(h) AASB7(8)(c)	Receivables	7(a)	**2,226**	1,380	6,011
AASB101(54)(e)	Investments accounted for using the equity method	16(e)	**3,775**	3,275	3,025
AASB101(54)(d) AASB7(8)(b)	Held-to-maturity investments	7(b)	**1,210**	1,175	-
AASB101(54)(d) AASB7(8)(d)	Available-for-sale financial assets	7(c)	**9,322**	8,228	8,397
AASB101(54)(d) AASB7(8)(a)	Derivative financial instruments	12(a)	**308**	712	-
AASB101(54)(a)	Property, plant and equipment	8(a)	**131,410**	105,080	93,145
AASB101(54)(b)	Investment properties	8(b)	**13,300**	10,050	8,205
AASB101(54)(c)	Intangible assets	8(c)	**24,550**	20,945	20,910
AASB101(54)(o),(56)	Deferred tax assets	8(d)	**7,323**	4,979	3,681
	Total non-current assets		**193,424**	155,824	143,374
	Total assets		**305,014**	236,235	205,952
	LIABILITIES				
AASB101(60),(69)	**Current liabilities**				
AASB101(54)(k)	Trade and other payables	7(f)	**16,700**	12,477	12,930
AASB101(54)(m), AASB7(8)(f)	Borrowings	7(g)	**9,155**	8,750	7,869
AASB101(54)(m) AASB7(8)(e)	Derivative financial instruments	12(a)	**1,376**	1,398	445
AASB101(54)(n)	Current tax liabilities		**1,700**	1,138	989
	Employee benefit obligations [7]	8(g)	**690**	470	440
AASB101(54)(l)	Provisions	8(h)	**3,111**	1,437	930
	Deferred revenue	3	**595**	570	490
			33,327	26,240	24,093
AASB101(54)(p) AASB5(38)	Liabilities directly associated with assets classified as held for sale	15	**-**	500	-
	Total current liabilities		**33,327**	26,740	24,093

* See note 11(b) for details regarding the restatement as a result of an error.

		Notes	2017 $'000	2016 Restated * $'000	1 January 2016 Restated *[6] $'000
AASB101(60),(69)	**Non-current liabilities**				
AASB101(54)(m) AASB7(8)(f)	Borrowings	7(g)	**91,289**	79,330	76,250
AASB101(54)(o),(56)	Deferred tax liabilities	8(d)	**12,360**	6,660	4,356
	Employee benefit obligations [7]	8(g)	**6,749**	4,881	4,032
AASB101(54)(l)	Provisions	8(h)	**1,573**	1,382	1,304
	Total non-current liabilities		**111,971**	92,253	85,942
	Total liabilities		**145,298**	118,993	110,055
	Net assets		**159,716**	117,242	95,917
	EQUITY				
AASB101(54)(r)	Share capital	9(a)	**83,054**	63,976	62,619
	Other equity	9(b)	**1,774**	(550)	(251)
AASB101(54)(r)	Other reserves	9(c)	**16,966**	11,566	7,311
	Retained earnings	9(d)	**48,460**	36,561	21,298
AASB101(54)(r)	Capital and reserves attributable to owners of VALUE ACCOUNTS Holdings Limited		**150,254**	111,553	90,977
AASB101(54)(q)	Non-controlling interests	16(b)	**9,462**	5,689	4,940
	Total equity		**159,716**	117,242	95,917

* See note 11(b) for details regarding the restatement as a result of an error.

Not mandatory *The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

Balance sheet

Accounting standard for the balance sheet (statement of financial position)

AASB101(10)

1. AASB 101 *Presentation of Financial Statements* refers to the balance sheet as 'statement of financial position'. However, since this title is not mandatory, VALUE ACCOUNTS Holdings Limited has elected to retain the better known name of 'balance sheet'.

Current/non-current distinction

AASB101(60)

2. An entity presents current and non-current assets and current and non-current liabilities as separate classifications in its balance sheet except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities are presented broadly in order of liquidity.

AASB101(61)

3. Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled: (a) no more than twelve months after the reporting period, and (b) more than twelve months after the reporting period.

AASB101(66)-(70)

4. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when 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.

AASB101(68)

5. 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. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.

Three balance sheets required in certain circumstances

AASB101(40A),(40B)

6. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements, it must provide a third balance sheet (statement of financial position) as at the beginning of the preceding comparative period. However, where the retrospective change in policy or the restatement has no effect on the preceding period's opening balance sheet, we believe that it would be sufficient for the entity merely to disclose that fact.

Separate line item for employee benefit obligations

AASB101(54)

7. Paragraph 54 of AASB 101 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 when they are relevant to an understanding of the entity's financial position. For example, AASB 101 does not prescribe where employee benefit obligations should be presented in the balance sheet. VALUE ACCOUNTS Holdings Limited has elected to present all employee benefit obligations together as separate current and non-current line items, as this provides more relevant information to users.

CA295(1)(a),(2)(b)
AASB101(10)(c),(106)

Consolidated statement of changes in equity [1-3]

			Attributable to owners of VALUE ACCOUNTS Holdings Limited						
		Notes	Share capital $'000	Other equity $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
AASB101(106)(d)	**Balance at 1 January 2016**		62,619	(251)	7,311	21,218	90,897	4,940	95,837
AASB101(106)(b)	Correction of error (net of tax)	11(b)	-	-	-	80	80	-	80
	Restated total equity at the beginning of the financial year		**62,619**	**(251)**	**7,311**	**21,298**	**90,977**	**4,940**	**95,917**
AASB101(106)(d)(i)	Profit for the period		-	-	-	26,695	26,695	2,319	29,014
AASB101(106)(d)(ii)	Other comprehensive income		-	-	3,700	(403)	3,297	257	3,554
	Total comprehensive income for the period		**-**	**-**	**3,700**	**26,292**	**29,992**	**2,576**	**32,568**
AASB101(106)(d)(iii)	**Transactions with owners in their capacity as owners:**								
AASB132(22),(35)	Contributions of equity net of transaction costs	9(a)	1,357	-	-	-	1,357	-	1,357
AASB132(33)	Acquisition of treasury shares	9(b)	-	(299)	-	-	(299)	-	(299)
	Dividends provided for or paid	13(b)	-	-	-	(11,029)	(11,029)	(1,827)	(12,856)
AASB2(50)	Employee share schemes – value of employee services	9(c)	-	-	555	-	555	-	555
			1,357	(299)	555	(11,029)	(9,416)	(1,827)	(11,243)
AASB101(106)(d)	**Balance at 31 December 2016**		**63,976**	**(550)**	**11,566**	**36,561**	**111,553**	**5,689**	**117,242**
AASB101(106)(d)(i)	Profit for the period		-	-	-	34,286	34,286	3,005	37,291
AASB101(106)(d)(ii)	Other comprehensive income		-	-	4,806	307	5,113	(99)	5,014
AASB101(106)(a)	**Total comprehensive income for the period**		**-**	**-**	**4,806**	**34,593**	**39,399**	**2,906**	**42,305**
AASB101(106)(d)(iii)	**Transactions with owners in their capacity as owners:**								
AASB132(22),(35)	Contributions of equity, net of transaction costs and tax	9(a)	10,871	-	-	-	10,871	-	10,871
	Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	14	9,730	-	-	-	9,730	-	9,730
AASB132(33)	Acquisition of treasury shares	9(b)	-	(1,217)	-	-	(1,217)	-	(1,217)
AASB132(35)	Buy-back of preference shares, net of tax	9(a)	(1,523)	-	-	143	(1,380)	-	(1,380)
	Value of conversion rights on convertible notes	9(b)	-	2,450	-	-	2,450	-	2,450
	Non-controlling interests on acquisition of subsidiary	14	-	-	-	-	-	5,051	5,051
AASB10(23)	Transactions with non-controlling interests	16(c)	-	-	(333)	-	(333)	(1,167)	(1,500)
	Dividends provided for or paid	13(b)	-	-	-	(22,837)	(22,837)	(3,017)	(25,854)
	Employee share schemes – value of employee services	9(c)	-	-	2,018	-	2,018	-	2,018
AASB2(50)	Issue of treasury shares to employees	9(b)	-	1,091	(1,091)	-	-	-	-
			19,078	2,324	594	(22,694)	(698)	867	169
AASB101(106)(d)	**Balance at 31 December 2017**		**83,054**	**1,774**	**16,966**	**48,460**	**150,254**	**9,462**	**159,716**

Not mandatory

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of changes in equity

Accounting standard for the statement of changes in equity

AASB101(106)

1. 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

AASB101(106)(d)

   (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) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in loss of control.

AASB101(108)

2. Components of equity include each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings. We believe that individual reserves can be disclosed as a single column 'other reserves' if they are similar in nature and can be regarded as a component of equity. The reserves grouped together in VALUE ACCOUNTS Holdings Limited's statement of changes in equity are all accounting reserves which have arisen as a result of specific requirements in the accounting standards. This distinguishes them from other reserves that are the result of discretionary transfers within equity, for example capital realisation reserves. Disclosing the individual reserves in the notes rather than on the face of the statement of changes in equity reduces clutter and makes the statement more readable.

AASB101(106A)

3. The reconciliation of changes in each component of equity shall also show separately each item of comprehensive income. However, this information may be presented either in the notes or in the statement of changes in equity. VALUE ACCOUNTS Holdings Limited has elected to provide the detailed information in note 9(c) and (d).

CA295(1)(a),(2) AASB101(10)(d) AASB107(1),(10) AASB101(113)	**Consolidated statement of cash flows** [1-3,9-12]			
		Notes	**2017 $'000**	2016 $'000
AASB107(10),(18)(a)	**Cash flows from operating activities**			
AASB107(14)(a)	Receipts from customers (inclusive of goods and services tax) [7,8]		**198,202**	184,863
AASB107(14)(c),(d)	Payments to suppliers and employees (inclusive of goods and services tax) [7,8]		**(140,354)**	(141,442)
			57,848	43,421
AASB107(14)(g)	Payments for financial assets at fair value through profit or loss		**(135)**	(1,235)
AASB107(14)(g)	Proceeds from disposal of financial assets at fair value through profit or loss		**600**	-
AASB107(14)(b)	Insurance recovery relating to fire	4(b)	**300**	-
AASB107(16)	Transaction costs relating to acquisition of subsidiary	14	**(750)**	-
AASB107(14)(b)	Other income		**7,490**	7,484
AASB107(31)-(33)	Interest received		**1,261**	905
AASB107(31)-(33)	Interest paid [4]		**(6,617)**	(4,044)
AASB107(14)(f),(35),(36)	Income taxes paid [5]		**(16,443)**	(12,264)
	Net cash inflow from operating activities	10(a)	**43,554**	34,267
AASB107(10),(21)	**Cash flows from investing activities**			
AASB107(39)	Payment for acquisition of subsidiary, net of cash acquired	14	**(2,600)**	-
AASB107(16)(a)	Payments for property, plant and equipment	8(a)	**(25,387)**	(17,602)
AASB107(16)(a)	Payments for investment property	8(b)	**(1,900)**	-
AASB107(16)(c)	Payments for available-for-sale financial assets		**(259)**	(2,029)
AASB107(16)(c)	Payments for held-to-maturity investments		**-**	(1,175)
AASB107(16)(a)	Payment of software development costs		**(880)**	(720)
AASB107(16)(e)	Loans to related parties		**(1,180)**	(730)
AASB107(39)	Proceeds from sale of engineering division	15	**3,110**	-
AASB107(16)(b)	Proceeds from sale of property, plant and equipment		**9,585**	639
AASB107(16)(d)	Proceeds from sale of available-for-sale financial assets		**1,375**	820
AASB107(16)(f)	Repayment of loans by related parties		**469**	626
AASB107(38)	Dividends from joint ventures and associates	16(e)	**160**	220
AASB107(31),(33)	Other dividends [4]		**3,300**	4,300
AASB107(31),(33)	Interest received on available-for-sale financial assets [4]		**254**	249
	Net cash (outflow) from investing activities		**(13,953)**	(15,402)
AASB107(10),(21)	**Cash flows from financing activities**			
AASB107(17)(a)	Proceeds from issues of shares and other equity securities	9(a)	**12,413**	-
	Proceeds from calls on shares and calls in arrears	9(a)	**1,500**	-
AASB107(17)(c)	Proceeds from borrowings	10(c)	**45,903**	25,796
AASB107(17)(b)	Payments for shares bought back	9(a)	**(1,350)**	-
AASB107(17)(b)	Payments for shares acquired by the VALUE IFRS Employee Share Trust		**(1,217)**	(299)
	Share issue and buy-back transaction costs	9(a)	**(245)**	-
AASB107(17)(d)	Repayment of borrowings	10(c)	**(33,334)**	(24,835)
AASB107(17)(e)	Finance lease payments	10(c)	**(805)**	-
AASB107(42A),(42B)	Transactions with non-controlling interests	16(c)	**(1,500)**	-
AASB107(31),(34)	Dividends paid to company's shareholders	13(b)	**(22,271)**	(10,470)
AASB107(31),(34)	Dividends paid to non-controlling interests in subsidiaries	16(b)	**(3,017)**	(1,828)
	Net cash (outflow) from financing activities		**(3,923)**	(11,636)
	Net increase in cash and cash equivalents		**25,678**	7,229
	Cash and cash equivalents at the beginning of the financial year		**29,018**	21,573
AASB107(28)	Effects of exchange rate changes on cash and cash equivalents		**(248)**	216
	Cash and cash equivalents at end of year	7(e)	**54,448**	29,018
AASB107(43)	Non-cash financing and investing activities	10(b)		
AASB5(33)(c)	Cash flows of discontinued operation [6]	15		

Not mandatory *The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

Statement of cash flows

Definition of cash and cash equivalents

AASB107(6),(7)

1. 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, eg debt investments with fixed redemption dates that are acquired within a short period of their maturity.

Reporting cash flows

Expenditure on unrecognised assets to be classified as operating cash flows

AASB107(16)

2. Cash flows can only be classified as arising from investing activities if they result in the recognition of an asset in the balance sheet. Examples of expenditure that should be classified as operating cash flows on this basis are:
   (a) expenditures on exploration or evaluation activities, unless the entity has a policy of capitalising these expenditures as permitted under AASB 6 *Exploration for and Evaluation of Mineral Resources*
   (b) expenditures on advertising or promotional activities, staff training and research and development, and
   (c) transaction costs related to a business combination.

Disclosing cash flows on a gross or net basis

AASB107(22)-(24)

3. 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

AASB107(31)-(34)

4. AASB 107 does not specify how to classify cash flows from interest paid and interest and dividends received. VALUE ACCOUNTS Holdings Limited has chosen to present interest paid and interest received on financial assets held for cash management purposes as operating cash flows, but dividends and interest received on other financial assets 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.

AASB107(35)

5. 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.

Discontinued operations

AASB5(33)(c)

6. Entities must disclose separately the net cash flows attributable to each of operating, investing and financing activities of discontinued operations. There are different ways of presenting this information, but the underlying principle is that the cash flow statement must give the cash flows for the total entity including both continuing and discontinued operations. The additional information in relation to the discontinued operations can be disclosed either on the face of the cash flow statement or in the notes. VALUE ACCOUNTS Holdings Limited is providing the information in note 15.

Goods and Services Tax (GST)

UIG1031(10)

7. Cash flows shall be included in the statement of cash flows on a gross basis, subject to paragraph 8 below and to AASB 107.

UIG1031(11)

8. 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.

Statement of cash flows

Reporting cash flows from operating activities: direct vs indirect method

AASB107(18),(19)

9. While AASB 107 permits the use of either the direct or the indirect method for reporting cash flows from operating activities, it encourages entities to use the direct method, as it provides information which may be useful in estimating future cash flows and which is not available under the indirect method. VALUE ACCOUNTS Holdings Limited therefore uses the direct method. For an illustration of a statement of cash flows presented using the indirect method please refer to Appendix E.

Tax consolidation and cash flows

AASB107(35)

10. 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.

Where no cash flows

11. 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 107 *Statement of Cash Flows*, 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.
12. You will also need to take care to comply with the disclosure requirements of AASB 107 relating to any non-cash financing or investing activities (refer to note 10(b)).

Contents of the notes to the consolidated financial statements [1-8]

Contents of the notes to the financial statements

Structure of the notes

AASB101(113)

1. 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 balance sheet, 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.
2. 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 (refer to paragraph 16 of AASB 101)
      (ii) a summary of significant accounting policies applied (paragraph 117 of AASB 101)
      (iii) supporting information for items presented in the balance sheet, 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 (AASB 137) and unrecognised contractual commitments, and
         - non-financial disclosures; for example, the entity's financial risk management objectives and policies (AASB 7).

AASB101(114)

3. Traditionally, most financial reports have used the structure suggested in (c) above. However, financial report preparers increasingly consider annual reports to be an important tool in the communication with stakeholders and not just a mere compliance exercise. As a consequence, there is a growing interest in alternative formats of the financial statements.

AASB101(114)

4. This trend is supported by the IASB's Disclosure Initiative. As part of this project, the AASB made amendments to AASB 101 *Presentation of Financial Statements* which have provided preparers with more flexibility in presenting the information in their financial reports.
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, the entity's exposure and management of financial risks is dealt with in notes 11 to 13 while information about the group structure and interests in other entities is presented in notes 14 to 16. 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.
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.

Materiality matters

AASB101(30A)

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 Holdings Limited 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.

AASB101(10)(e)

Notes to the financial statements

Not mandatory

1 Significant changes in the current reporting period [1-5]

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

- The acquisition of VALUE IFRS Electronics Group in April 2017 (see note 14) which resulted in an increase in property, plant and equipment (note 8(a)) and the recognition of goodwill and other intangible assets (note 8(c)).
- The sale of the engineering subsidiary in February 2017 (see note 15).
- The sale of surplus land by VALUE IFRS Consulting Inc (see note 4).
- A fire in Springfield in March 2017 which resulted in the impairment of a number of assets (see note 4).
- A review of the furniture manufacturing operations which led to redundancies and a goodwill impairment charge (see notes 8(h) and 8(c)).

For a detailed discussion about the group's performance and financial position please refer to our operating and financial review on pages [x] to [y].

Some of the amounts reported for the previous period have been restated to correct an error. Detailed information about these adjustments can be found in note 11(b).

Significant changes in the current reporting period

1. There is no requirement to disclose a summary of significant events and transactions that have affected the company's financial position and performance during the period under review. We believe that information such as this would help readers understand the entity's performance and any changes to the entity's financial position during the year and make it easier finding the relevant information. However, information such as this could also be provided in the (unaudited) operating and financial review rather than the (audited) notes to the financial statements.

Disclosures not illustrated: going concern disclosures

AASB101(25)

2. 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. When 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.
3. 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.
4. A disclosure of material uncertainties about the entity's ability to continue as a going concern should:

ASA570(19)(a)

(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

ASA570(19)(a)

(b) explain management's plans to deal with these events or conditions, and

ASA570(19)(b)

(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.

Significant changes in the current reporting period

Circumstances affecting preliminary final report

ASX(4.3D)

5. Once a listed entity is or becomes aware of any circumstances which are likely to affect the results or other information contained in the preliminary final report given to the ASX under Listing Rules 4.3 or 4.3A, the entity shall immediately give the ASX an explanation of the circumstances and the effects they are expected to have on the entity's current or future financial performance or financial position. There is no requirement to also include information about the circumstances in the financial report, but some entities may wish to disclose this as a policy of good disclosure. Where the difference is significant, it could be disclosed upfront as part of note 1 or under critical estimates, judgements and errors (note 11), for example.

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, including segment information

(c) information about estimates and judgements made in relation to particular items.

2 Segment information [6,7]

(a) Description of segments and principal activities [1]

AASB8(22)
AASB101(138)(b)

The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, examines the group's performance both from a product and geographic perspective and has identified six reportable segments of its business:

1,2: Furniture manufacturing – Australia and China: this part of the business manufactures and sells commercial office furniture, hardwood side boards, chairs and tables in Australia and China. The committee monitors the performance in those two regions separately.

AASB8(22)(aa)

3: Furniture retail – since January 2015, the manufacturing business has been supplemented by a chain of retail stores in Australia. While the committee receives separate reports for each region, the stores have been aggregated into one reportable segment as they have similar average gross margins and similar expected growth rates. [1]

4,5: IT consulting – business IT management, design, implementation and support services are provided in the US and in a number of European countries. Performance is monitored separately for those two regions.

6: Electronic equipment – Although this part of the business is not large enough to be required to be reported under the accounting standards, it has been included here as it is seen as a potential growth segment which is expected to materially contribute to group revenue in the future. This segment was established following the acquisition of VALUE IFRS Electronics Group in April 2017.

AASB8(16),(22)

All other segments – The development of residential land, currently in the Someland Canal Estate in Nicetown and the Mountain Top Estate in Alpville, the purchase and resale of commercial properties, principally in Nicetown and Harbourcity and the management of investment properties are not reportable operating segments, as they are not separately included in the reports provided to the strategic steering committee. The results of these operations are included in the 'all other segments' column. The column also includes head office and group services.

The engineering subsidiary was sold effective from 1 March 2017. Information about this discontinued segment is provided in note 15.

The steering committee primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA, see below) to assess the performance of the operating segments. However, the steering committee also receives information about the segments' revenue and assets on a monthly basis. Information about segment revenue is disclosed in note 3.

AASB8(23)

(b) Adjusted EBITDA [2]

AASB8(27)(b),(28)

Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, legal expenses, and impairments when the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments.

Interest income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

AASB8(23)

	2017 $'000	2016 Restated $'000
Furniture manufacture		
Australia	**14,280**	16,310
China	**12,900**	6,090
Furniture retail – Australia	**16,400**	5,204
IT Consulting		
US	**16,500**	13,480
Europe	**8,002**	9,880
Electronic equipment - Australia	**3,400**	-
All other segments	**4,626**	5,096
Total adjusted EBITDA	**76,108**	56,960

AASB8(23)

(b) Adjusted EBITDA

AASB8(28)(b)

Adjusted EBITDA reconciles to operating profit before income tax as follows:

AASB8(23)

	Notes	2017 $'000	2016 Restated $'000
Total adjusted EBITDA		**76,108**	56,960
Intersegment eliminations		**(390)**	(360)
Finance costs – net	5(d)	**(5,597)**	(5,367)
Interest income on financial assets held as investments	5(c)	**254**	249
Depreciation and amortisation	5(c)	**(10,985)**	(8,880)
Litigation settlement	4	**-**	(370)
Goodwill impairment	4	**(2,410)**	-
Restructuring costs	4	**(1,377)**	-
Fair value gains/(losses) on financial assets at FVPL	5(b)	**835**	(690)
Share options and rights granted to directors and employees	21(e)	**(2,156)**	(1,353)
Impairment of other assets	4	**(1,210)**	-
Other		**250**	250
Profit before income tax from continuing operations		**53,322**	40,439

(c) Other profit and loss disclosures [3]

AASB8(23)(e),(f),(g),(h)

2017	**Material items**	**Depreciation and amortisation**	**Income tax expense**	**Share of profit from associates and joint ventures**
	$'000	**$'000**	**$'000**	**$'000**
Furniture manufacture				
Australia	**(910)**	**(4,250)**	**(4,317)**	**48**
China	**(3,787)**	**(2,161)**	**(3,650)**	**-**
Furniture retail – Australia	**-**	**(2,274)**	**(3,965)**	**-**
IT Consulting				
US	**1,270**	**(700)**	**(2,164)**	**250**
Europe	**-**	**(430)**	**(750)**	**-**
Electronic equipment - Australia	**-**	**(275)**	**(800)**	**-**
All other segments	**-**	**(895)**	**(556)**	**42**
Unallocated items	**-**	**-**	**(584)**	**-**
Total	**(3,427)**	**(10,985)**	**(16,786)**	**340**

2016	Material items	Depreciation and amortisation	Income tax expense	Share of profit from associates and joint ventures
	$'000	$'000	$'000	$'000
Furniture manufacture				
Australia	715	(3,190)	(3,805)	60
China	-	(2,068)	(2,506)	-
Furniture retail – Australia	-	(1,800)	(793)	-
IT Consulting				
US	-	(543)	(2,724)	220
Europe	-	(447)	(727)	-
All other segments	(370)	(832)	(760)	75
Unallocated items	-	-	(509)	-
Total	345	(8,880)	(11,824)	355

There was no impairment charge or other significant non-cash item recognised in 2016. For details about the material items refer to note 4 below.

(d) Segment assets

AASB8(27)(c) Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

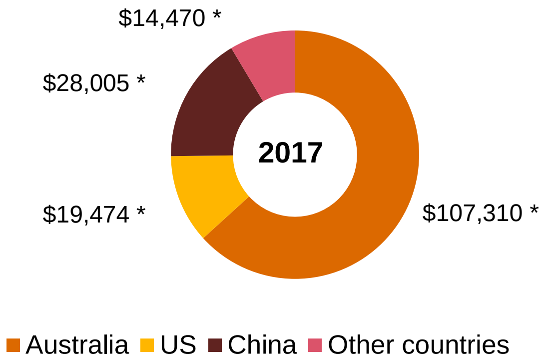
AASB8(23),(24)

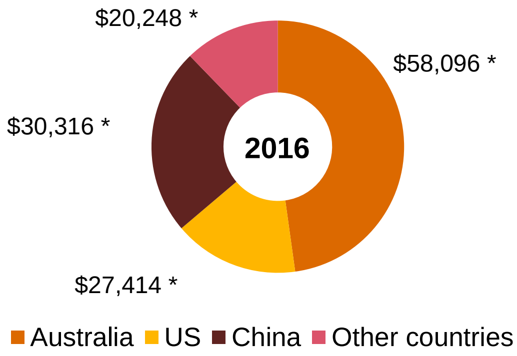
	Year ended 31 December 2017			Year ended 31 December 2016		
	Segment assets	**Investments in associate and joint ventures**	**Additions to non-current assets ***	Segment assets	Investments in associate and joint ventures	Additions to non-current assets *
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Furniture manufacture						
Australia	**61,830**	**550**	**8,947**	61,900	490	5,970
China	**45,500**	**-**	**5,685**	45,700	-	4,370
Furniture retail – Australia	**51,600**	**-**	**3,725**	18,000	-	-
IT Consulting						
US	**31,640**	**2,250**	**2,600**	30,523	1,900	3,887
Europe	**23,510**	**-**	**11,350**	23,325	-	1,695
Electronic equipment - Australia	**32,305**	**-**	**1,300**	-	-	-
All other segments	**28,612**	**975**	**1,580**	25,676	885	1,115
Total segment assets	**274,997**	**3,775**	**35,187**	205,124	3,275	17,037
Intersegment eliminations	**(1,300)**			(1,270)		
Discontinued operation (Engineering – see note 15)	**-**			4,955		
Unallocated:						
Deferred tax assets	**7,323**			4,979		
Available-for-sale financial assets	**9,322**			8,228		
Held-to-maturity investments	**1,210**			1,175		
Financial assets at fair value through profit or loss	**11,300**			10,915		
Derivative financial instruments	**2,162**			2,129		
AASB8(28)(c) **Total assets as per the balance sheet**	**305,014**			236,235		

* Other than financial assets and deferred tax

AASB8(27)(c) Investment in shares (classified as available-for-sale financial assets, held-to-maturity investments or financial assets at fair value through profit or loss) held by the group are not considered to be segment assets, but are managed by the treasury function.

AASB8(33)(b) The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following graphs: [4]





* Amounts are in $'000

(e) Segment liabilities

AASB8(27)(d) Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

AASB8(27)(d) The group's borrowings and derivative financial instruments are not considered to be segment liabilities, but are managed by the treasury function.

AASB8(23)

	2017 $'000	2016 $'000
Furniture manufacture		
Australia	**7,005**	7,290
China	**4,800**	2,150
Furniture retail – Australia	**5,950**	2,779
IT Consulting		
US	**3,900**	5,079
Europe	**2,600**	2,270
Electronic equipment - Australia	**5,259**	-
All other segments	**1,079**	2,769
Total segment liabilities	**30,593**	22,337
Intersegment eliminations	**(1,175)**	(1,120)
Discontinued operation (Engineering – see note 15)	**-**	500
Unallocated:		
Deferred tax liabilities	**12,360**	6,660
Current tax liabilities	**1,700**	1,138
Current borrowings	**8,980**	8,555
Non-current borrowings	**91,464**	79,525
Derivative financial instruments	**1,376**	1,398
AASB8(28)(d) **Total liabilities as per the balance sheet**	**145,298**	118,993

(f) Error in the accounting for a leasing contract in the Australian Furniture manufacture segment [5]

Due to a misinterpretation of the terms and conditions of a major leasing contract, segment assets of the Australian Furniture manufacture segment for the year ended 31 December 2016 were overstated by $1,300,000. The error also had the effect of overstating adjusted EBITDA for the year ended 31 December 2016 for that segment by $275,000.

The error has been corrected by restating each of the affected segment information line items for the prior year, as described above.

Further information on the error is set out in note 11(b).

Segment information

Description of segments

AASB8(22)
AASB2014-1,PartA(18)

1. Entities shall disclose factors used to identify its reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. They must also disclose the judgements made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics.

Segment information

Non-GAAP segment measures

AASB8(25),(27)
ASIC-RG230(57)

2. The measure of profit or loss that must be disclosed is the measure that is reported to the chief operating decision maker (CODM). The standard is not prescriptive as to how this measure should be calculated and a non-GAAP or non-IFRS measure is acceptable, as long as it is clear from the disclosures how the measure is calculated and there is a detailed reconciliation of the disclosed measure to the respective IFRS amount. However, ASIC expects that the amounts disclosed in the segment note are consistent with any non-IFRS profit measures disclosed in documents that accompany the financial report (eg directors' reports and market announcements), as both disclosures should be based on the information that management uses to monitor performance and make decisions. Where the amounts are not consistent, the entity should explain the reasons for the differences.

Other profit and loss disclosures

AASB8(23)

3. The disclosure of other profit and loss items such as depreciation, amortisation and income tax by segment is only required where these amounts are reviewed by, or are otherwise regularly provided to the CODM.

Using graphs to disclose quantitative information

4. There is nothing in the segment standard or any other Australian Accounting Standards that would appear to prohibit the use of graphics for disclosing quantitative information. However, entities will need to confirm whether this is acceptable under their own local regulatory requirements.

Errors

5. There are no specific requirements relating to disclosure of the impact of errors on segment information. However, the impact of a material error on segment information is likely to be relevant to the understanding of segment information, and disclosure along the lines of that shown in the illustrative note may be necessary to adequately explain the information presented.

Discontinued operations

6. AASB 8 does not provide guidance as to whether segment disclosures apply to discontinued operations. VALUE ACCOUNTS Holdings Limited has not disclosed the results of the discontinued operation within the segment disclosures. This decision was based on the fact that the CODM did not separately review the results of this division since the decision to dispose of it. A discontinued operation should be presented within the segment note if it meets the quantitative threshold for disclosure and if the CODM reviews the results of the division.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

7. The following disclosures are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

AASB8(23)(c),(d) — (a) information about interest revenue and interest expense for each reportable segment (if provided to the CODM)

AASB8(27)(f) — (b) the nature and effect of asymmetrical allocations to reportable segments

AASB8(28)(e) — (c) reconciliations for other material amounts disclosed in the segment note

AASB8(29),(30) — (d) explanations regarding restatements of previously reported information following an internal reorganisation

AASB136(129)(b) — (e) reversal of impairment losses by reportable segment

AASB107(50)(d) — (f) cash flows by reportable segment (encouraged but not mandatory), and

AASB8(27)(e) — (g) changes in measurement methods (explain impact on reported segment profit or loss).

3 Revenue [3,4]

The group derives the following types of revenue:

		2017 $'000	2016 $'000
AASB118(35)(b)(i)	Sale of goods	**117,200**	100,710
AASB118(35)(b)(ii)	Services	**80,450**	60,900
	Total revenue from continuing operations	**197,650**	161,610

AASB8(23)

(a) Segment revenue

AASB8(27)(a) Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss.

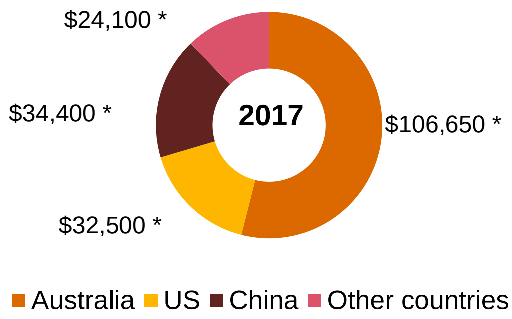
AASB8(23)(a),(33)(a)
AASB8(23)(b)

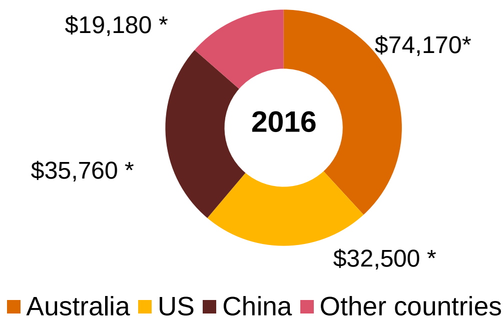
	Year ended 31 December 2017			Year ended 31 December 2016		
	Total segment revenue	**Inter-segment revenue**	**Revenue from external customers**	Total segment revenue	Inter-segment revenue	Revenue from external customers
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Furniture manufacture						
Australia	**55,100**	**(1,200)**	**53,900**	60,350	(1,150)	59,200
China	**35,100**	**(700)**	**34,400**	36,860	(1,100)	35,760
Furniture retail – Australia	**31,600**	**(900)**	**30,700**	20,371	-	20,371
IT Consulting						
US	**33,300**	**(800)**	**32,500**	22,600	(600)	22,000
Europe	**16,900**	**(300)**	**16,600**	14,790	(610)	14,180
Electronic equipment - Australia	**13,850**	**(500)**	**13,350**	-	-	-
All other segments	**16,600**	**(400)**	**16,200**	10,199	(100)	10,099
Total segment revenue	**202,450**	**(4,800)**	**197,650**	165,170	(3,560)	161,610

AASB8(32) Revenues from external customers come from the sale of furniture on a wholesale and retail basis, from the provision of IT consulting services and from the sale of electronic equipment. The revenue from wholesale sales of furniture relates only to the group's own brand, Pina Colada Furniture. The retail sales relate to the group's own brand as well as other major retail brands.

AASB8(34) Revenues of approximately $26,320,000 (2016 – $24,280,000) are derived from a single external customer. These revenues are attributed to the Australian furniture manufacturing segment.

AASB8(33)(a) The entity is domiciled in Australia. The amount of its revenue from external customers broken down by location of the customers is shown in the graphs below.





* Amounts are in $'000

(b) Recognising revenue from major business activities [1,2]

AASB101(117),(119) Revenue is recognised for the major business activities using the methods outlined below.

AASB101(119)

Sale of goods – wholesale

AASB118(35)(a)

Timing of recognition: the group manufactures and sells a range of furniture in the wholesale market. Sales are recognised when 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 specified 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.

Measurement of revenue: The furniture is often sold with volume discounts and customers have a right to return faulty products in the wholesale market. Revenue from sales is based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

AASB101(119)

Sale of goods – retail

AASB118(35)(a)

Timing of recognition: The group operates a chain of retail stores selling household furniture. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

Measurement of revenue: It is the group's policy to sell its products to the end customer with a right of return within 28 days. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Sale of goods – customer loyalty programme (deferred revenue)

AASB-I13(5),(7)

Timing of recognition: The group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. Revenue from the award points is recognised when the points are redeemed.

Measurement of revenue: The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. Award points expire 12 months after the initial sale.

AASB101(119)

Sale of goods – Land development and resale

AASB118(35)(a)

Timing of recognition: Revenue is recognised when the risks and rewards have been transferred and the entity does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the units sold. Due to the nature of the agreements entered into by the group, this occurs on settlement.

Measurement of revenue: The revenue is measured at the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.

AASB101(119)

Revenue from services – Consulting

AASB118(35)(a)

Timing of recognition: Revenue from consulting 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 (percentage of completion method).

Measurement of revenue: 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.

(b) Recognising revenue from major business activities

AASB101(122)

(i) Critical judgements in calculating amounts [1,2]

The group has recognised revenue amounting to $2,950,000 for the sale of furniture to a wholesale customer during 2017. The buyer has the right to return the goods within 90 days if their customers are dissatisfied. The group believes that, based on past experience with similar sales, the dissatisfaction rate will not exceed 3%. The group has, therefore, recognised revenue on this transaction with a corresponding provision against revenue for estimated returns. If the estimate changes by 1%, revenue will be reduced/increased by $78,000 and post-tax profit reduced/increased by $53,000. The right of return expires on 3 March 2018.

Revenue

Accounting policies and significant judgements

1. As explained on page 67, 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.
2. A full list of all accounting policies is provided in note 25 together with relevant commentary. Detailed commentary regarding the disclosure of significant judgements and estimates is provided in note 11.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

3. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:
   AASB118(35)(c) (a) Revenue from exchanges of goods or services must be separately identified.
   AASB-I15(20),(21) (b) Revenue from the construction of real estate: entities must explain how they determine which agreements meet the criteria for the sale of goods continuously as construction progresses and disclose other details such as the amount of revenue arising from such agreements, aggregate costs incurred and recognised profits plus the amount of advances received.

Multiple-element arrangements

4. An accounting policy for multiple-element arrangements could read as follows:

   The group offers certain arrangements whereby a customer can purchase a personal computer together with a two-year servicing agreement. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately. The revenue relating to the computer is recognised when risks and rewards of the computer are transferred to the customer which occurs on delivery. Revenue relating to the service element is recognised on a straight-line basis over the service period.

4 Material profit or loss items [1.2]

AASB101(119),(97)

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group.

		Notes	2017 $'000	2016 $'000
AASB101(97),(98)(c)	Net gain on sale of freehold land	(a)	**1,270**	-
AASB101(97),(98)(b)	Restructuring costs	8(h)	**(1,377)**	-
AASB101(97)	Impairment of goodwill	8(c)	**(2,410)**	-
AASB136(126)(a)	Impairment of other assets	(b)		
AASB136(130)(b)	Office and warehouse building		**(465)**	-
	Plant and equipment		**(210)**	-
	Inventories		**(535)**	-
AASB101(97)	Total impairment losses – other assets		**(1,210)**	-
	Insurance recovery	(b)	**300**	-
AASB101(97),(98)(c)	Net loss on disposal of plant and equipment	(c)	**-**	(230)
AASB101(97),(98)(f)	Litigation settlement relating to claim against the land development division	(d)	**-**	(370)
	Recognition of tax losses	(e)	**-**	945
AASB101(97)	Total material items from continuing operations		**(3,427)**	345
	Gain on sale of discontinued operation	15	**481**	-

(a) Sale of freehold land

Following the rezoning of land held by VALUE IFRS Consulting Inc, the entity sold a large parcel of freehold land at a significant profit and realised a gain of $1,270,000 (included in the IT consulting – US segment).

(b) Impairment of other assets

AASB136(129)(a), (130)(a),(c)

A fire in Springfield in March 2017 damaged a major office and warehouse building owned by a subsidiary that is part of the Australian furniture manufacturing segment. The fire also destroyed equipment and inventories stored in the warehouse.

AASB136(130)(e),(f)

The office and warehouse was written down to its recoverable amount of $1,220,000, which was determined by reference to the building's fair value less costs of disposal. The main valuation inputs used were a market value of $105 per square meter (determined by an independent valuer) and costs of repair, estimated by management to be approximately $430,000. Since the estimated costs of repair are a significant unobservable input, the fair value of the office and warehouse is classified as a level 3 fair value.

As the inventory and equipment were destroyed beyond repair, their fair value less cost of disposal was nil.

AASB136(126)(a)

The impairment loss is included in other expenses in the statement of profit or loss.

AASB116(74)(d)

An insurance recovery of $300,000 has been received and recognised as other income.

(c) Disposal of plant and equipment

VALUE IFRS Manufacturing upgraded its plant and equipment by installing a large new production line in its Springfield factory in the previous financial year. There were several items of old equipment that had to be removed to make place for the new plant. Since the items were using superseded technology, the entity was not able to sell them at their carrying amounts but incurred a loss of $230,000 on disposal (included in the Furniture manufacture – Australia segment).

(d) Litigation settlement

In January 2016, VALUE IFRS Development Limited paid $370,000 as settlement for a claim lodged against the company following the termination of the Pinetree development in Alpville (included in 'other segments' in the segment note).

(e) Recognition of tax losses

Following a significant improvement in trading conditions in the Australian furniture manufacturing segment in 2016, the group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utilised. As a consequence, a deferred tax asset of $945,000 was recognised for these losses in 2016.

Material profit or loss items

AASB101(97),(98)

1. When items of income and expense are material, their nature and amount shall be disclosed separately either in the statement of comprehensive income, the statement of profit or loss where applicable, or in the notes. Circumstances that would give rise to the separate disclosure of items of income and expense include:
   (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs
   (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring
   (c) disposals of items of property, plant and equipment
   (d) disposals of investments
   (e) discontinued operations (refer to note 15)
   (f) litigation settlements
   (g) other reversals of provisions, and
   (h) gains or losses recognised in relation to a business combination.
2. Material items do not need to be presented in a separate note. However, in our view it will be easier for users to assess the impact of such items on the entity's performance, if this information is presented together.

5 Other income and expense items [1,7]

This note provides a breakdown of the items included in 'other income', 'other gains/(losses), 'finance income and costs' and an analysis of expenses by nature. 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.

AASB101(112)(c)

(a) Other income

		Notes	2017 $'000	2016 $'000
	Rental and sub-lease rental income		**7,240**	7,240
AASB118(35)(b)(v)	Dividends		**3,300**	4,300
AASB118(35)(b)(iii)	Interest on financial assets held as investments (i)		**254**	249
Not mandatory	Other items (ii)		**550**	244
			11,344	12,033

(i) Interest income [6]

AASB101(117)
AASB7(20)(b)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 5(d) below. Any other interest income is included in other income above. Total interest income on financial assets that are not measured at fair value through profit or loss for the year was $1,870,000 (2016 – $1,154,000).

(a) Other income

(ii) Government grants

AASB120(39)(b),(c) Export market development grants of $250,000 (2016 – $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.

AASB101(117) *Deferral and presentation of government grants*

AASB120(12),(29) 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.

AASB120(24),(26) 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 25(f) for further details.

(b) Other gains/(losses)

		Notes	2017 $'000	2016 $'000
	Net gain/(loss) on disposal of property, plant and equipment (excluding property, plant and equipment sold as part of the engineering division)	8(a)	**1,620**	(530)
AASB140(76)(d)	Fair value adjustment to investment property	8(b)	**1,350**	1,397
AASB7(20)(a)(i)	Fair value gains/(losses) on financial assets at fair value through profit or loss	7(d)	**835**	(690)
AASB7(20)(a)(ii)	Net gain/(loss) on sale of available-for-sale financial assets	7(c)	**646**	(548)
AASB121(52)	Net foreign exchange gains/(losses)	12(b)	**518**	(259)
	Net gains on derivatives held for trading	12(a)	**400**	543
Not mandatory	Other items		**176**	(38)
			5,545	(125)

(c) Breakdown of expenses by nature

		Notes	2017 $'000	2016 Restated $'000
Not mandatory	Changes in inventories of finished goods and work in progress	8(e)	**(6,681)**	(5,255)
Not mandatory	Raw materials and consumables used	8(e)	**62,221**	54,669
AASB101(104),(105)	Employee benefits expenses [2]		**56,594**	52,075
AASB101(104),(105)	Depreciation	8(a)	**8,950**	8,150
AASB101(104),(105)	Amortisation	8(c)	**2,035**	730
AASB101(97)	Impairment of goodwill	8(c)	**2,410**	-
AASB101(97)	Impairment of assets damaged by fire	4(b)	**1,210**	-
Not mandatory	Other expenses		**29,221**	17,698
Not mandatory	Total cost of sales, distribution cost and administrative expenses		**155,960**	128,067

(d) Finance income and costs

		Notes	2017 $'000	2016 Restated $'000
	Finance income [6]			
AASB7(20)(b)	Interest from financial assets held for cash management purposes	(a)(i)	**1,261**	905
AASB7(20)(a)(iv) AASB139(41)	Net gain on settlement of debt	7(g)	**355**	-
	Finance income		**1,616**	905
	Finance costs [3-5]			
AASB7(20)(b)	Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss		**(6,678)**	(5,904)
AASB137(60)	Provisions: unwinding of discount	8(h)	**(93)**	(78)
AASB7(23)(d)	Fair value gain on interest rate swaps designated as cash flow hedges – transfer from OCI	12(b)	**155**	195
AASB121(52)(a)	Net exchange losses on foreign currency borrowings	12(b)	**(1,122)**	(810)
			(7,738)	(6,597)
AASB123(26)(a)	Amount capitalised	(i)	**525**	325
	Finance costs expensed		**(7,213)**	(6,272)
	Net finance costs		**(5,597)**	(5,367)

(i) Capitalised borrowing costs

AASB123(26)(b)

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 7.02% (2016 – 7.45%).

Other income and expense items

1. This note provides a breakdown of other income, other gains/losses and an analysis of expenses by nature, but it does not show all of the profit and loss amounts that must be disclosed under various accounting standards. Instead, individual profit and loss items are now disclosed together with the relevant information to which they belong. For example, gains or losses related to various financial instruments held by the group are disclosed together with the balance sheet amounts. We believe that this presentation is more useful for users of the financial statements.

Employee benefits expenses

AASB119(25),(158),(171)

2. Although AASB 119 *Employee Benefits* does not require specific disclosures about employee benefits other than post-employment benefits, other standards may require disclosures, for example, where the expense resulting from such benefits is material and so would require disclosure under paragraph 97 of AASB 101 *Presentation of Financial Statements*. Similarly, termination benefits may result in an expense needing disclosure in order to comply with paragraph 97 of AASB 101.

Finance costs

3. Finance costs will normally include:

AASB123(5),(6)

(a) costs that are borrowing costs for the purposes of AASB 123 *Borrowing Costs:*

IFRS7(IG13)

(i) interest expense calculated using the effective interest rate method as described in AASB 139 *Financial Instruments: Recognition and Measurement*

(ii) finance charges in respect of finance leases (refer to note 25(h)), and

(iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs

Other income and expense items

AASB137(60) (b) the unwinding of the effect of discounting provisions

AASB132(35),(40) (c) dividends on preference shares that are classified as debt

AASB139(47),(AG6) (d) the amortisation of discounts and premiums on debt instruments that are liabilities

(e) interest on tax payable where the interest element can be identified separately.

AASB5(17) (f) the increase in the present value of the costs to sell in relation to assets that are held for sale, where the sale is expected to occur beyond one year.

AASB121(52)(a) 4. Amounts disclosed under paragraph 3(a)(iii) above shall also be included in the net foreign exchange gain or loss disclosed under AASB 121 *The Effects of Changes in Foreign Exchange Rates* paragraph (52)(a). VALUE ACCOUNTS Holdings Limited discloses this amount in note 12(b).

5. Costs which may also be classified as finance cost include other costs associated with the entity's management of cash, cash equivalents and debt; for example, fair value changes on interest rate hedges, the ineffective portion of cash flow interest rate hedges or a loss on the extinguishment of a liability.

Finance income

AASB118(7)
Framework(74)

6. The classification of finance income depends on the entity's accounting policy for such items. Where earning interest income is part of the entity's main business objectives rather than an incidental benefit, the interest income should be included within the main 'revenue' heading. In other cases, entities may take the view that finance income is most appropriately included as 'other operating income' or as a separate line item in arriving at operating profit (if disclosed). VALUE ACCOUNTS Holdings Limited includes finance income that arises from treasury activity (for example, income on surplus funds invested for the short term) outside operating profit whilst including other types of finance income as operating items. Although entities have some discretion in the way in which finance income is included in the statement of comprehensive income, the presentation policy adopted should be applied consistently and disclosed if material.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

7. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

AASB7(20)(c),(d) (a) Where material, entities must separately disclose any interest income accrued on impaired financial assets and fee income arising from financial assets not at fair value through profit or loss and from trust and other fiduciary activities.

6 Income tax expense [7-11]

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.

AASB112(79),(81)(g)(ii)

(a) Income tax expense

Reference		2017 $'000	2016 Restated $'000
	Current tax		
AASB112(80)(a)	Current tax on profits for the year	**17,389**	12,274
AASB112(80)(b)	Adjustments for current tax of prior periods	**(369)**	135
	Total current tax expense	**17,020**	12,409
AASB112(80)(c)	*Deferred income tax*		
	Decrease/(increase) in deferred tax assets (note 8(d))	**(18)**	(1,415)
	(Decrease)/increase in deferred tax liabilities (note 8(d))	**180**	1,001
	Total deferred tax expense/(benefit)	**162**	(414)
	Income tax expense	**17,182**	11,995
	Income tax expense is attributable to:		
	Profit from continuing operations	**16,786**	11,824
	Profit from discontinued operation	**396**	171
		17,182	11,995

(b) Significant estimates

AASB101(125)

In calculating the tax expense for the current period, the group has treated expenditures of $1,933,000 associated with the establishment of the retail division in 2014 as being deductible for tax purposes in that financial year. However, the tax legislation in relation to these expenditures is not clear and the group has applied for a private ruling to confirm their interpretation. If the ruling should not be

AASB101(38)

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 interim reporting date.

AASB112(81)(c)(i),(84),(85)

(c) Numerical reconciliation of income tax expense to prima facie tax payable [1]

Reference		2017 $'000	2016 Restated $'000
	Profit from continuing operations before income tax expense	**53,322**	40,439
	Profit from discontinuing operation before income tax expense	**1,151**	570
		54,473	41,009
AASB112(81)(d),(85)	Tax at the Australian tax rate of 30% (2016 – 30%)	**16,342**	12,303
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Goodwill impairment	**723**	-
	Amortisation of intangibles [2]	**92**	158
	Research and development expenditure	**365**	303
	Entertainment	**82**	79
	Employee option plan [3]	**277**	99
	Tax offset for franked dividends	**(9)**	(21)
	Dividends paid to preference shareholders	**378**	378
	Recycling of foreign currency translation reserve on sale of subsidiary, see note 15	**(51)**	-
	Sundry items	**122**	16
	Subtotal	**18,330**	13,336

AASB112(81)(c)(i),(84),(85)

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

		2017 $'000	2016 $'000
	Subtotal	**18,330**	13,336
AASB112(85)	Difference in overseas tax rates	**(248)**	(127)
AASB112(80)(b)	Adjustments for current tax of prior periods	**(369)**	135
	Research and development tax credit	**(486)**	(404)
AASB112(80)(f)	Previously unrecognised tax losses used to reduce deferred tax expense (refer note 4(e))	**-**	(945)
AASB112(80)(e)	Previously unrecognised tax losses now recouped to reduce current tax expense	**(45)**	-
	Income tax expense	**17,182**	11,995

(d) Amounts recognised directly in equity [4,5]

		Notes	2017 $'000	2016 $'000
AASB112(81)(a),(62A)	Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
	Current tax: share buy-back transaction costs	9(a)	**(15)**	-
	Deferred tax: Convertible note, share issue costs and error correction	8(d), 11(b)	**990**	12
			975	12

(e) Tax losses

		2017	2016
AASB112(81)(e)	Unused tax losses for which no deferred tax asset has been recognised	**1,740**	2,796
	Potential tax benefit @ 30%	**522**	839

The unused tax losses were incurred by a dormant subsidiary that is not likely to generate taxable income in the foreseeable future. See note 8(d) for information about recognised tax losses and significant judgements made in relation to them.

(f) Unrecognised temporary differences

		Notes	2017 $'000	2016 $'000
AASB112(81)(f)	Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:			
	Foreign currency translation		**2,190**	1,980
	Undistributed earnings		**1,350**	
			3,540	1,980
AASB112(87) **Not mandatory**	Unrecognised deferred tax liabilities relating to the above temporary differences		**1,062**	594

Temporary differences of $2,190,000 (2016 – $1,980,000) have arisen as a result of the translation of the financial statements of the group's subsidiary in China. However, a deferred tax liability has not been recognised as the liability will only crystallise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future. [6]

VALUE IFRS Retail Limited has undistributed earnings of $1,350,000 (2016 – nil) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

Income tax expense

Relationship between tax expense and accounting profit

AASB112(81)(c),(85)

1. Entities can explain the relationship between tax expense (income) and accounting profit by disclosing reconciliations between:
   (a) tax expense and the product of accounting profit multiplied by the applicable tax rate, or
   (b) 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.

Initial recognition exemption – subsequent amortisation

2. The amount shown in the reconciliation of prima facie income tax payable to income tax expense as 'amortisation of intangibles' represents the amortisation of a temporary difference that arose on the initial recognition of the asset and for which no deferred tax liability has been recognised in accordance with paragraph 15(b) of AASB 112. The initial recognition exemption only applies to transactions that are not a business combination and do not affect either accounting profit or taxable profit.

Taxation of share-based payments

AASB112(68A)-(68C)

3. For the purpose of these illustrative financial statements, we have assumed that deductions are available for the payments made by VALUE ACCOUNTS Holdings Limited into the employee share trust for the acquisition of the deferred shares (see note 21). In our example, the payments are made and shares acquired upfront which gives rise to deferred tax liabilities. We have also assumed that no tax deductions can be claimed in relation to the employee option plan. However, this will not apply in all circumstances to all entities. The taxation of share-based payments and the accounting thereof is a complex area and specific advice should be obtained for each individual circumstance. AASB 112 provides further guidance on the extent to which deferred tax is recognised in profit or loss and in equity.

Income tax recognised outside profit or loss

AASB101(90)
AASB112(81)(a),(ab)
AASB112(62A)

4. Under certain circumstances, current and deferred tax is recognised outside profit or loss either in other comprehensive income or directly in equity, depending on the item the tax relates to. Entities must disclose separately:
   (a) the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments (either in the statement of comprehensive income or in the notes), and
   (b) the aggregate current and deferred tax relating to items that are charged directly to equity (without being recognised in other comprehensive income).

AASB112(62A)

5. Examples of items that are charged directly to equity are:
   (a) the equity component on compound financial instruments
   (b) share issue costs
   (c) adjustments to retained earnings, eg as a result of a change in accounting policy.

Unrecognised temporary differences

6. The disclosure of unrecognised temporary differences in relation to the overseas subsidiary has been made for illustrative purposes only. The taxation of overseas subsidiaries will vary from case to case and tax advice should be obtained to assess whether there are any potential tax consequences and temporary differences that should be disclosed.

Income tax expense

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

7. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosure or reference
AASB112(81)(d)	Changes in the applicable tax rate	Explain the changes (see illustrative disclosure below)
AASB112(81)(e)	Deductible temporary differences and unused tax credits for which no deferred tax asset is recognised	Disclose amount and expiry date
AASB112(82A), (87A)-(87C)	The payment of dividends will affect the entity's income tax expense (eg a lower tax rate applies to distributed profits)	Explain the nature of the income tax consequences and disclose the amounts, if they are practicably determinable.
AASB112(81)(i)	Dividends were proposed or declared but not recognised as liability in the financial statements	Disclose the income tax consequences, if any
AASB112(88)	Tax-related contingent liabilities or contingent assets and changes in tax rates or tax laws enacted after the reporting period	Provide disclosures required under AASB 137 and AASB 110.
AASB112(81)(j)	Business combination: changes in the deferred tax assets of the acquirer recognised as a result of the combination	Disclose the amount of the change
AASB112(81)(k)	Deferred tax benefits acquired in a business combination but only recognised in a subsequent period	Describe the event or change in circumstances that caused the deferred tax asset to be recognised

Changes in tax rate

AASB112(81)(d)

8. In April 2017, the Australian Government enacted legislation which reduces the corporate rate for small and medium business entities from 30% to 25% over the next decade. For the 2016-17 year, the corporate tax rate reduces to 27.5% for small business entities with a turnover of less than $10 million. This turnover threshold will then progressively increase until it reaches $50 million in the 2018-19 income year. From the 2024-25 income year, the tax rate will then progressively decrease until it reaches 25% for the 2026-27 and later income years.
9. Entities that are expected to meet the thresholds 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:

    In April 2017, the Australian Government passed legislation which reduces the corporate rate for small and medium business entities from 30% to 25% over the next decade. As VALUE Small Pty Limited has turnover of less than $10 million and does not expect to exceed this threshold in the near future, it qualifies as a small business entity and hence will be subject to the reduced rates from the 2016-17 income year onwards. [Alternatively: As VALUE Medium Pty Limited expects to qualify as a medium business entity with a turnover of more than $10 million but less than $50 million for the foreseeable future, it expects to benefit from the reduced tax rates in future reporting periods.]

    As a consequence, VALUE Small [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. For the group, such items include in particular revaluations of land and buildings.

Income tax expense

Tax consolidation legislation in individual financial statements

UIG1052(16)

10. Where the tax consolidation legislation has been implemented or will be implemented in the current reporting period, the head entity and wholly-owned entities in the tax consolidated group must disclose:
    (a) the relevance of the tax consolidation system to the entity, including the part of the reporting period for which it applies to the entity where it is not applicable for the whole of the reporting period, and the name of the head entity
    (b) the method adopted for measuring the current and deferred tax amounts (see note 2Z(e))
    (c) information about the nature of any tax funding arrangement and any tax sharing agreement, including significant terms and conditions that may affect the amount, timing and uncertainty of future cash flows, and
    (d) the net amount recognised for the period as tax-consolidation contributions by (or distributions to) equity participants, its major components and the accounts affected.
11. As tax consolidation is only relevant to the separate financial statements of a parent entity (where prepared), and to the wholly-owned subsidiaries that are part of the tax consolidated group, the above disclosures are not illustrated in this publication. However, VALUE ACCOUNTS Holdings Limited does explain how the separate parent entity information in note 2Z has been affected by tax consolidation, see note 2Z for details.

7 Financial assets and financial liabilities [1,14,15]

Not mandatory

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.

Not mandatory

The group holds the following financial instruments:

AASB7(8)

Financial assets	Notes	Assets at FVOCI $'000	Assets at FVPL $'000	Derivatives used for hedging $'000	Financial assets at amortised cost $'000	Total $'000
2017						
Trade and other receivables *	7(a)	**-**	**-**	**-**	**20,661**	**20,661**
Held-to-maturity investments	7(b)	**-**	**-**	**-**	**1,210**	**1,210**
Available-for-sale financial assets	7(c)	**9,322**	**-**	**-**	**-**	**9,322**
Financial assets at fair value through profit or loss	7(d)	**-**	**11,300**	**-**	**-**	**11,300**
Derivative financial instruments	12(a)	**-**	**1,854**	**308**	**-**	**2,162**
Cash and cash equivalents	7(e)	**-**	**-**	**-**	**57,098**	**57,098**
		9,322	**13,154**	**308**	**78,969**	**101,753**
2016						
Trade and other receivables *	7(a)	-	-	-	13,089	13,089
Held-to-maturity investments	7(b)	-	-	-	1,175	1,175
Available-for-sale financial assets	7(c)	8,228	-	-	-	8,228
Financial assets at fair value through profit or loss	7(d)	-	10,915	-	-	10,915
Derivative financial instruments	12(a)	-	1,417	712	-	2,129
Cash and cash equivalents	7(e)	-	-	-	31,268	31,268
		8,228	12,332	712	45,532	66,804

* excluding prepayments [4,5]

Financial liabilities	Notes	Derivatives at FVPL $'000	Derivatives used for hedging $'000	Liabilities at amortised cost $'000	Total $'000
2017					
Trade and other payables **	7(f)	**-**	**-**	**15,130**	**15,130**
Borrowings	7(g)	**-**	**-**	**100,444**	**100,444**
Derivative financial instruments	12(a)	**610**	**766**	**-**	**1,376**
		610	**766**	**115,574**	**116,950**
2016					
Trade and other payables **	7(f)	-	-	11,270	11,270
Borrowings	7(g)	-	-	88,080	88,080
Derivative financial instruments	12(a)	621	777	-	1,398
		621	777	99,350	100,748

** excluding non-financial liabilities [4,5]

AASB7(36)(a), AASB7(31),(34)(c)

The group's exposure to various risks associated with the financial instruments is discussed in note 12. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(a) Trade and other receivables

AASB101(77),(78)(b)
AASB7(6)

	2017			2016		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade receivables	**17,855**	**-**	**17,855**	11,167	-	11,167
Provision for impairment (see note 12 (c))	**(525)**	**-**	**(525)**	(300)	-	(300)
	17,330	**-**	**17,330**	10,867	-	10,867
Loans to related parties	**-**	**1,300**	**1,300**	-	700	700
Loans to key management personnel	**166**	**551**	**717**	126	480	606
Other receivables (iii)	**939**	**375**	**1,314**	716	200	916
Financial assets at amortised cost	**18,435**	**2,226**	**20,661**	11,709	1,380	13,089
Prepayments [4,5]	**500**	**-**	**500**	475	-	475
Total trade and other receivables	**18,935**	**2,226**	**21,161**	12,184	1,380	13,564

AASB124(18)

Further information relating to loans to related parties and key management personnel is set out in note 20.

AASB101(117)

(i) Classification as trade and other receivables [2,3]

AASB7(21)
AASB139(9),(46)(a)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The group's impairment and other accounting policies for trade and other receivables are outlined in notes 12(c) and 25(l) respectively.

(ii) Transferred receivables

AASB7(42D)(a)-(c),(e)

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, VALUE IFRS Manufacturing Limited has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, VALUE IFRS Manufacturing Limited 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 relevant carrying amounts are as follows:

	2017 $'000	2016 $'000
Transferred receivables	**3,250**	-
Associated secured borrowing (bank loans – see note 7(g) below)	**3,100**	-

(iii) Other receivables

AASB7(7)

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.

(a) Trade and other receivables

(iv) Fair values of trade and other receivables [6-7]

AASB7(25),(29)(a)
AASB13(97),(93)(b),(d)

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. An exception are the loans to key management personnel, which have a fair value of $481,000 as at 31 December 2017, compared to a carrying amount of $551,000 (2016: fair value of $424,000 and carrying amount of $480,000).

The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk (see note 7(h) below).

(v) Impairment and risk exposure

AASB7(31),(34)(c)

Information about the impairment of trade and other receivables, their credit quality and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 12(b) and (c).

(b) Held-to-maturity investments

		2017 $'000	2016 $'000
	Non-current assets		
AASB101(77)	Debentures	**750**	750
AASB101(77)	Zero coupon bonds	**460**	425
		1,210	1,175

(i) Debentures

AASB7(25)
AASB13(97),(93)(b)

The fair value of the debentures is $795,000 (2016 – $767,000). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy – see note 7(h) below for further information). [6]

(ii) Zero coupon bonds

AASB7(25),
AASB13(97),(93)(b)

The fair value of the zero coupon bonds is $482,000 (2016 – $433,000). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy – see note 7(h) below for further information). [6]

AASB101(117)

(iii) Classification of financial assets as held-to-maturity [2,3]

AASB7(21)
AASB101(66),(68)
AASB139(9)

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets. See note 25(o) for the group's other accounting policies for financial assets.

(iv) Impairment and risk exposure

AASB7(36)(c)

None of the held-to-maturity investments are either past due or impaired.

AASB7(34)

All held-to-maturity investments are denominated in Australian dollar. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

(c) Available-for-sale financial assets

AASB7(25),(31),(34)(c)
AASB101(77)

Available-for-sale financial assets include the following classes of financial assets:

	2017 $'000	2016 $'000
Non-current assets		
Listed securities		
Equity securities	**4,350**	4,126
Debentures	**685**	650
Preference shares	**150**	100
	5,185	4,876
Unlisted securities (iv)		
Equity securities (i),(v)	**1,150**	1,622
Debentures	**597**	750
Preference shares	**1,100**	980
	2,847	3,352
Contingent consideration from disposal of discontinued operation (note 15)	**1,290**	-
	9,322	8,228

(i) Investments in related parties

AASB124(18)

Available-for-sale financial assets includes $300,000 (2016 – $280,000) of equity securities held in entities that are controlled by the ultimate parent entity, Lion AG.

AASB101(117)

(ii) Classification of financial assets as available-for-sale [2,3]

AASB7(21),(B5)(b)
AASB101(66),(68)
AASB139(9),(45)

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(iii) Impairment indicators for available-for-sale financial assets

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. See note 25(o) for further details about the group's impairment policies for financial assets.

(iv) Significant estimates [2]

AASB13(91)(a)
AASB101(125)

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. For details of the key assumptions used and the impact of changes to these assumptions see note 7(h) below.

(v) Significant judgements [2,8]

AASB12(7),(9)(a)
AASB101(122)

The directors have determined that they do not control a company called VALUE IFRS Trustee Pty Ltd even though VALUE ACCOUNTS Holdings Limited owns 100% of the issued capital of this entity. VALUE IFRS Trustee Pty Ltd is the trustee of the VALUE IFRS Employees' Superannuation Fund. It is not a controlled entity of VALUE ACCOUNTS Holdings Limited because VALUE ACCOUNTS Holdings Limited is not exposed, and has no right, to variable returns from this entity and is not able to use its power over the entity to affect those returns. The investment has a fair value of $2 (2016 – $2) and is included in unlisted securities.

(c) Available-for-sale financial assets

AASB101(38)
AASB139(61)

In the 2016 financial statements, the group made a significant judgement about the impairment of a number of its available-for-sale financial assets.

To determine if an available-for-sale financial asset is impaired, the group evaluates the duration and extent to which the fair value of the asset is less than its cost, and the financial health of and short-term business outlook for the investee (including factors such as industry and sector performance, changes in technology and operational and financing cash flows). While the fair value of a number of the group's available-for-sale financial assets had fallen below cost as at 31 December 2016, the group determined that none of these declines in fair value were expected to be significant or prolonged and hence no impairment needed to be recognised.

If all of the declines in fair value below cost had been significant or prolonged, the group would have suffered an additional loss of $250,000 in its 2016 financial statements, being the reclassification of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to profit or loss. In the 2017 financial year, the fair value of the relevant assets has increased and is now above cost.

(vi) 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.

		2017 $'000	2016 $'000
AASB7(20)(a)(ii)	Gains/(losses) recognised in other comprehensive income (see note 9(c))	**880**	(1,378)
AASB7(20)(a)(ii)	Gains/(losses) recognised in profit or loss as other income (other expense), being reclassified from other comprehensive income on sale (note 5)	**646**	(548)

(vii) Non-current assets pledged as security

AASB7(14)

Refer to note 24 for information on non-current assets pledged as security by the group.

(viii) Fair value, impairment and risk exposure

AASB13(93)
AASB7(36)(c)

Information about the methods and assumptions used in determining fair value is provided in note 7(h) below. None of the available-for-sale financial assets are either past due or impaired.

AASB7(34)

All available-for-sale financial assets are denominated in Australian dollar. For an analysis of the sensitivity of available-for-sale financial assets to price and interest rate risk refer to note 12(b).

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

AASB101(77)
AASB7(31),(34)(c)

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2017 $'000	2016 $'000
Current assets		
US listed equity securities	**5,190**	4,035
Australian listed equity securities	**6,110**	6,880
	11,300	10,915

AASB101(117)

(i) Classification of financial assets at fair value through profit or loss [2,3]

AASB7(21),(8)(a)
AASB101(66),(68)
AASB139(9),(45)

The group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. The group has not elected to designate any financial assets at fair value through profit or loss. See note 25(o) for the group's other accounting policies for financial assets.

(ii) Amounts recognised in profit or loss

AASB7(20)(a)(i)

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains/(losses) in profit or loss (2017 – gain of $835,000; 2016 – loss of $690,000).

(iii) Risk exposure and fair value measurements

AASB7(31)
AASB13(93)

Information about the group's exposure to price risk is provided in note 12. For information about the methods and assumptions used in determining fair value please refer to note 7(h) below.

(e) Cash and cash equivalents

		2017 $'000	2016 $'000
	Current assets		
AASB107(45)	Cash at bank and in hand	**750**	600
AASB107(45)	Deposits at call	**56,348**	30,668
		57,098	31,268

(i) Reconciliation to cash flow statement

AASB107(45) 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:

		2017 $'000	2016 $'000
	Balances as above	**57,098**	31,268
AASB107(8)	Bank overdrafts (see note 7(g) below)	**(2,650)**	(2,250)
	Balances per statement of cash flows	**54,448**	29,018

(ii) Classification as cash equivalents [2,3]

AASB107(46) 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 25(k) for the group's other accounting policies on cash and cash equivalents.

(iii) Restricted cash

AASB107(48) The cash and cash equivalents disclosed above and in the statement of cash flows include $7,314,000 which are held by VALUE IFRS Overseas Ltd. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the group.

(f) Trade and other payables [9,15]

		2017 $'000	2016 $'000
	Current liabilities		
AASB101(77)	Trade payables	**11,590**	9,220
	Payroll tax and other statutory liabilities	**1,570**	1,207
AASB101(77)	Other payables	**3,540**	2,050
		16,700	12,477

Trade payables are unsecured and are usually paid within 30 days of recognition.

AASB7(29)(a)
AASB13(97),(93)(b),(d) The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. [6-7]

(g) Borrowings

		2017			2016		
		Current $'000	**Non-current $'000**	**Total $'000**	Current Restated $'000	Non-current Restated $'000	Total Restated $'000
AASB101(77)	*Secured*						
	Bank overdrafts	**2,650**	**-**	**2,650**	2,250	-	2,250
	Bank loans (i)	**4,250**	**37,070**	**41,320**	2,865	45,035	47,900
	Debentures (vi)	**-**	**-**	**-**	2,000	2,000	4,000
	Lease liabilities (v)	**755**	**2,639**	**3,394**	755	3,195	3,950
	Other loans	**450**	**8,580**	**9,030**	150	14,100	14,250
	Total secured borrowings (i)	**8,105**	**48,289**	**56,394**	8,020	64,330	72,350
AASB101(77)	*Unsecured*						
	Bills payable	**1,050**	**-**	**1,050**	730	-	730
	Convertible notes (iii)	**-**	**16,815**	**16,815**	-	-	-
	Redeemable preference shares (iv)	**-**	**11,000**	**11,000**	-	11,000	11,000
	Loans from related parties *	**-**	**15,185**	**15,185**	-	4,000	4,000
	Total unsecured borrowings	**1,050**	**43,000**	**44,050**	730	15,000	15,730
	Total borrowings	**9,155**	**91,289**	**100,444**	8,750	79,330	88,080

* Further information relating to loans from related parties is set out in note 20.

(i) Secured liabilities and assets pledged as security

AASB7(7),(14)(b) AASB7(42D) Of the bank loans, $3,100,000 relate to transferred receivables (see note 7(a)(ii) above). The remaining bank loans and overdraft are secured by first mortgages over the group's freehold land and buildings, including those classified as investment properties.

The debentures were secured by a floating charge over the assets of the parent entity.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The other loans are secured by a negative pledge that imposes certain covenants on the subsidiary that has received those loans. The negative pledge states that (subject to certain exceptions) the subsidiary will not provide any other security over its assets, and will ensure that the following financial ratios are met:

- 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.

AASB7(14)(a) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 24.

(ii) Compliance with loan covenants

AASB101(135)(d) VALUE ACCOUNTS Holdings Limited has complied with the financial covenants of its borrowing facilities during the 2017 and 2016 reporting period, see note 13 for details.

(g) Borrowings

(iii) Convertible notes 9

AASB7(17)
AASB101(79)(a)(vii)

The parent entity issued 1,500,000 7% convertible notes for $20 million on 23 January 2017. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 23 January 2021. The conversion rate is 2 shares for each note held, which is based on the market price per share at the date of the issue of the notes ($6.10), but subject to adjustments for reconstructions of equity. The convertible notes are presented in the balance sheet as follows:

	2017 $'000	2016 $'000
Face value of notes issued	**20,000**	-
Other equity securities – value of conversion rights (note 9(b))	**(3,500)**	-
	16,500	-
Interest expense *	**842**	-
Interest paid	**(527)**	-
Non-current liability	**16,815**	-

* Interest expense is calculated by applying the effective interest rate of 9.6% to the liability component.

AASB132(17),(18),(28),(29)
AG31(a)

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised 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 and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

(iv) Redeemable preference shares 9

AASB7(7)
AASB101(79)(a)(v)

The redeemable preference shares represent 5,000,000 fully paid 6% cumulative redeemable preference shares. The shares are redeemable at $2.20 per share on 31 December 2024 or by the parent entity at any time before that date. The shares are entitled to dividends at the rate of 6% per annum. If insufficient profits are available in a particular financial year, the dividends accumulate and are payable when sufficient profits are available. The shares participate in a winding up of the company only to the extent of $2.20 per share.

AASB132(17),(18)

Since the shares are mandatorily redeemable on a specified date, they are recognised as liabilities.

(v) Finance leases

AASB117(31)(a),(e)

The group leases various plant and equipment with a carrying amount of $2,750,000 (2016 – $3,000,000) under finance leases expiring within three to seven years. Under the terms of the leases, the group has the option to acquire the leased assets for 50% of their agreed fair value on expiry of the leases. This option lapses in the event the group fails to maintain its credit rating at the level prevailing at inception of the lease.

(g) Borrowings

AASB117(31)(c),(e)(i) Some leases provide for the payment of incremental contingent rentals based on changes in current market rentals for comparable properties. Contingent rentals paid during the year were $610,000 (2016 – nil).

		2017 $'000	2016 Restated $'000
AASB117(31)(b)	Commitments in relation to finance leases are payable as follows:		
AASB117(31)(b)(i)	Within one year	**655**	655
AASB117(31)(b)(ii)	Later than one year but not later than five years	**2,620**	2,620
AASB117(31)(b)(iii)	Later than five years	**-**	655
	Minimum lease payments	**3,275**	3,930
	Future finance charges	**(681)**	(930)
	Recognised as a liability	**2,594**	3,000
	Lease incentives on non-cancellable operating leases included in lease liabilities (see note 18(b)) [10]	**800**	950
	Total lease liabilities	**3,394**	3,950
AASB117(31)(b)	The present value of finance lease liabilities is as follows:		
AASB117(31)(b)(i)	Within one year	**604**	605
AASB117(31)(b)(ii)	Later than one year but not later than five years	**1,990**	1,990
AASB117(31)(b)(iii)	Later than five years	**-**	405
	Minimum lease payments	**2,594**	3,000

(vi) Repurchase of debentures

AASB7(7)
AASB139(41)
AASB7(20)(a)(v)

During the reporting period, the parent entity repurchased the remaining outstanding debentures for a lump sum payment of $1,605,000. The carrying amount of the debentures at the time of the payment was $2,000,000 and costs incurred were $40,000, resulting in a net gain on settlement of $355,000 which is included in finance income in the statement of profit or loss.

(vii) Set-off of assets and liabilities

See note 23 below for information about the group's offsetting arrangements.

(viii) Fair value [6,7]

AASB7(25),(29)(a) For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	2017		2016	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Bank loans	**41,320**	**40,456**	47,900	48,950
Convertible notes	**16,815**	**17,175**	-	-
Redeemable preference shares	**11,000**	**9,475**	11,000	10,860

AASB13(97),(93)(b),(d) The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see note 7(h)) due to the use of unobservable inputs, including own credit risk.

(ix) Risk exposures

AASB7(31) Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 12.

(h) Recognised fair value measurements [11,12]

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

AASB13(93)(b)

Recurring fair value measurements **At 31 December 2017**	Notes	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets					
Financial assets at FVPL					
US listed equity securities	12(a)	**5,190**	**-**	**-**	**5,190**
Australian listed equity securities	7(d)	**6,110**	**-**	**-**	**6,110**
Hedging derivatives – interest rate swaps	12(a)	**-**	**453**	**-**	**453**
Trading derivatives – options	12(a)	**-**	**1,709**	**-**	**1,709**
Available-for-sale financial assets					
Equity securities – property sector	7(c)	**1,522**	**-**	**-**	**1,522**
Equity securities – retail sector	7(c)	**2,828**	**-**	**-**	**2,828**
Equity securities – forestry sector	7(c)	**-**	**-**	**1,150**	**1,150**
Debentures – property sector	7(c)	**335**		**-**	**335**
Debentures – retail sector	7(c)	**350**	**597**	**-**	**947**
Preference shares – property sector	7(c)	**150**	**1,100**	**-**	**1,250**
Other (contingent consideration)	7(c)	**-**	**-**	**1,290**	**1,290**
Total financial assets		**16,485**	**3,859**	**2,440**	**22,784**
Financial liabilities					
Hedging derivatives – foreign exchange contracts	12(a)	**-**	**766**	**-**	**766**
Trading derivatives	12(a)	**-**	**275**	**335**	**610**
Total financial liabilities		**-**	**1,041**	**335**	**1,376**

AASB101(38)

Recurring fair value measurements At 31 December 2016	Notes	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets					
Financial assets at FVPL					
US listed equity securities	12(a)	4,035	-	-	4,035
Australian listed equity securities	7(d)	6,880	-	-	6,880
Hedging derivatives – interest rate swaps	12(a)	-	809	-	809
Trading derivatives – options	12(a)	-	1,320	-	1,320
Available-for-sale financial assets					
Equity securities – property sector	7(c)	1,378	-	-	1,378
Equity securities – retail sector	7(c)	2,748	-	-	2,748
Equity securities – forestry sector	7(c)	-	-	1,622	1,622
Debentures – property sector	7(c)	300	-	-	300
Debentures – retail sector	7(c)	350	750	-	1,100
Preference shares – property sector	7(c)	100	980	-	1,080
Total financial assets		15,791	3,859	1,622	21,272
Financial liabilities					
Hedging derivatives – foreign exchange contracts		-	777	-	777
Trading derivatives	12(a)	-	621	-	621
Total financial liabilities		-	1,398	-	1,398

(h) Recognised fair value measurements

AASB13(93)(c)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see (iii) below.

AASB13(95)

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

AASB13(76),(91)(a)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

AASB13(81),(91)(a)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

AASB13(86)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

AASB13(91)(a),(93)(d)

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

AASB13(93)(b)

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

(iii) Fair value measurements using significant unobservable inputs (level 3)

AASB13(93)(e)

The following table presents the changes in level 3 items for the periods ended 31 December 2017 and 31 December 2016:

	Unlisted equity securities $'000	Contingent conside-ration $'000	Trading derivatives $'000	Total $'000
Opening balance 1 January 2016	**1,322**	**-**	**-**	**1,322**
Gains recognised in other comprehensive income	300	-	-	300
Closing balance 31 December 2016	**1,622**	**-**	**-**	**1,622**
Transfer from level 2	-	-	(365)	(365)
Acquisitions	-	1,200	-	1,200
Disposals	(200)	-	-	(200)
(Losses) recognised in other comprehensive income	(272)	(40)	-	(312)
Gains recognised in discontinued operations *	-	130	-	130
Gains/(losses) recognised in other income *	-	-	30	30
Closing balance 31 December 2017	**1,150**	**1,290**	**(335)**	**2,105**

AASB13(93)(f)

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period [12]				
2017	-	130	15	145
2016	-	-	-	-

(h) Recognised fair value measurements

(iv) Transfers between levels 2 and 3

AASB13(93)(d)

In 2017 the group transferred a hedging forward foreign exchange contract from level 2 into level 3 as the counterparty for the derivative encountered significant financial difficulties. This resulted in a significant increase to the discount rate which is not based on observable inputs, as it reflects credit risk specific to the counterparty.

(v) Valuation inputs and relationships to fair value

AASB13(93)(d),(99)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

AASB13(91)(a),(93)(d),(h)(i),(ii),(99)

	Fair value at			Range of inputs (probability-weighted average)		
Description	**31 Dec 2017 $'000**	31 Dec 2016 $'000	**Un-observable inputs ***	**2017**	2016	**Relationship of unobservable inputs to fair value**
Unlisted equity securities	**1,150**	1,622	Earnings growth factor	**2.5% - 3.5% (3%)**	2.0% - 3% (2.7%)	Increased earnings growth factor (+50 basis points (bps)) and lower discount rate (-100 bps) would increase FV by $70,000; lower growth factor (-50 bps) and higher discount rate (+100 bps) would decrease FV by $80,000. 2016: increasing/decreasing the growth factor and the discount rate by +/- 50bps and 100 bps respectively would change the FV by +$55,000/-$65,000
			Risk-adjusted discount rate	**9% - 11% (10%)**	9.5% - 11% (10.2%)	
Trading derivatives	**(335)**	(365)	Credit default rate	**25%**	30%	A shift of the credit default rate by +/- 5% results in a change in FV of $30,000 (2016: change in default rate by +/- 6% changed FV by $33,000)
Contingent conside-ration	**1,290**	n/a	Risk-adjusted discount rate	**14%**	n/a	A change in the discount rate by 100 bps would increase/ decrease the FV by $40,000
			Expected cash inflows	**$2,150,000 - $2,570,000 ($2,360,000)**	n/a	If expected cash flows were 10% higher or lower, the FV would increase/ decrease by $35,000

AASB13(93)(h)(i)

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

AASB13(93)(g)

(vi) Valuation processes

The finance department of the group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the group's half-yearly reporting periods.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by VALUE ACCOUNTS Holdings Limited's internal credit risk management group.
- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.
- Contingent consideration – expected cash inflows are estimated based on the terms of the sale contract (see note 15) and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

Financial assets and financial liabilities

Disclosing financial assets and financial liabilities in one note

1. Users of financial reports 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 structured 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

2. As explained on page 67, in our view it is 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.
3. For general commentary regarding the disclosures of accounting policies please refer to note 25. Commentary about the disclosure of significant estimates and judgements is provided in note 11.

Accounting standard for presentation and disclosure of financial instruments

AASB132(11)

4. AASB 7 does not apply to the following items as they are not financial instruments as defined in paragraph 11 of AASB 132:
   (a) prepayments made/advances received (right to receive future good or service, not cash or a financial asset)
   (b) tax receivables and payables and similar items (statutory rights or obligations, not contractual), or
   (c) deferred revenue and warranty obligations (obligation to deliver good or service, not cash or financial asset)
5. While prepayments are not financial assets, we have included them with trade receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements.*

Fair value disclosures: Financial instruments carried at other than fair value

AASB7(25),(29)

6. An entity shall disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. However, fair values do not need to be disclosed for the following:
   (a) where the carrying amount is a reasonable approximation of fair value (eg for cash, short-term trade receivables and payables)
   (b) investments in equity instruments (and derivatives linked to such equity instruments) that do not have a quoted market price and that are measured at cost in accordance with AASB 139 because their fair value cannot be measured reliably
   (c) a contract containing a discretionary participation feature (*as described in AASB 4 Insurance Contracts)* where the fair value of that feature cannot be measured reliably.

   Guidance on what are appropriate classes of financial assets and liabilities is given in paragraph 6 of AASB 7, see commentary paragraph 1 to note 12.

Carrying amounts are a reasonable approximation of fair value

7. A statement that the carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value should only be made if it can be substantiated. That is, entities must have made a formal assessment of the carrying amounts of their financial assets and liabilities in comparison to their fair values and documented this assessment. If the fair values are not a reasonable approximation of the carrying amounts, the fair values must be disclosed.

Holding more than 50% of voting rights without control

AASB12(7),(9)(a)

8. AASB 12 *Disclosure of Interests in Other Entities* requires disclosure of the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control. We have used the example of a corporate trustee for one of the group's pension plans to illustrate this requirement. While the shares in these trustee companies are commonly held by the employer sponsor of the plan, the trustee company will not usually be controlled by the employer sponsor under the principles in AASB 10, as the employer will not have the power to direct the relevant activities of the trustee company and will not be exposed, or have rights, to variable returns. However, in many cases, these types of entities will not be significant to the group's financial position and performance. Where this is the case, disclosure would not be necessary because of materiality.

Financial assets and financial liabilities

Financial liabilities

Terms and conditions of financial instruments

AASB7(7),(31)

9. Entities shall disclose sufficient information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance and the nature and extent of risks arising from these financial instruments. However, the intention of AASB 7 was to decrease the potentially voluminous disclosures that were required by AASB 132 and replace them with shorter but more meaningful information. Under normal circumstances entities will therefore not need to disclose the significant terms and conditions for each of their major borrowings. Having said that, if an entity has a borrowing (or other financial instrument) with unusual terms and conditions, it should provide sufficient information to enable users to assess the nature and extent of risks associated with these instruments.

Presentation of liability for lease incentives on operating leases

10. VALUE ACCOUNTS Holdings Limited has chosen to present the liability arising from lease incentives on non-cancellable operating leases together with finance lease liabilities. However, other forms of presentation may be equally acceptable.

Fair value measurements

Classes of assets and liabilities

AASB13(94)

11. The disclosures in AASB 13 must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering:
    (a) the nature, characteristics and risks of the asset or liability, and
    (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

AASB13(94)

12. A class of assets and liabilities will often require greater disaggregation than the line items presented in the balance sheet. The number of classes may also need to be greater for fair value measurements categorised within level 3 of the hierarchy, as those measurements have a greater degree of uncertainty and subjectivity. Entities shall disclose sufficient information to allow a reconciliation back to the line items disclosed in the balance sheet.

Unrealised gains and losses relating to recurring level 3 measures

AASB13(93)(f)

13. AASB 13 does not provide guidance on how to calculate the unrealised gains and losses for recurring level 3 measures. A similar requirement previously existed under US GAAP where three methods were acceptable. In our view, all of these methods would be acceptable under Australian Accounting Standards provided they are consistently applied. The methods are:
    (a) Balance sheet view: determine unrealised gains and losses as the fair value of the security less its amortised cost base. Under this view, gains and losses are realised at maturity or sale date. Therefore the entire gain or loss is considered unrealised until maturity.
    (b) Statement of profit or loss view: determine unrealised gains and losses as the total gains and losses during the period less the cash received or paid for those items. Under this view each cash receipt or settlement represents a realised gain or loss in its entirety.
    (c) Cash flow view: first determine any realised gains or losses as the difference between the expected cash flows at the beginning of the period and the actual cash flows at the end of the period. Then, determine unrealised gains or losses for items still held at the reporting date as the remaining expected cash flows for future periods at the end of the period less the remaining expected cash flows for future periods at the beginning of the period.

Financial assets and financial liabilities

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

14. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosures or references
AASB7(28)	Fair value determined using valuation techniques – gain or loss on initial recognition	Disclose the accounting policy for recognising the difference in profit or loss, the aggregate difference yet to be recognised and why the transaction price was not the best evidence of fair value.
AASB7(42D)	Transferred financial assets not derecognised in their entirety	Provide additional disclosures where the entity has recognised the assets only to the extent of its continuing involvement and where the counterparty to the liabilities has recourse only to the transferred assets.
AASB7(42E)-(42H)	Transferred assets that are derecognised in their entirety but where the entity has continuing involvement	Various disclosures, see AASB 7(42E)-(42H) for details.
AASB117(31)(d)	Finance leases of lessees – sub-leases	Disclose expected future minimum sub-lease payments expected to be received.
AASB117(47),(48)	Finance leases of lessors	Various disclosures, see AASB 117 for details.
AASB7(8)-(11),(20)(a)	Financial assets and financial liabilities designated at fair value through profit or loss (FVPL)	Various balance sheet and profit or loss disclosures, see AASB 7 for details.
AASB7(20)(c)	Fee expense on financial liabilities that are not at FVPL	Disclose amount, if material.
AASB7(12A),(12)	Reclassifications out of the FVPL category, and other reclassifications within the categories of financial assets made in accordance with the principles in AASB 139(50)-(52)	Various disclosures, see AASB 7 (12),(12A) for details.
AASB7(18),(19)	Defaults and breaches in relation to financial liabilities	Disclose details of defaults (see illustrative example below).
AASB7(29)(b),(c),(30)	Financial instruments measured at cost where the fair value cannot be determined reliably Fair values are not disclosed for financial liability contracts with discretionary participation features	Disclose information to help users make their own judgements about the extent of possible differences between the carrying amount and the fair value.
AASB13(96)	Financial assets and financial liabilities with offsetting positions in market risk or counterparty credit risk	Disclose the fact that the exception in AASB 13(48) is applied.
AASB13(98)	Financial liabilities with inseparable third-party credit enhancements	Disclose the existence of that enhancement and whether it is reflected in the FV measurement of the liability.

Financial assets and financial liabilities

15. The following illustrative disclosures may be useful where relevant to an entity:

Put option arrangements

(a) Entities that have put option arrangements should consider explaining the accounting for these, as the individual terms and conditions (and hence the accounting) may vary. An illustrative policy could read as follows (but will need to be tailored depending on the specific arrangements):

AASB132(11),(23)

The group has written put options over the equity of its XYZ subsidiary which permit the holder to put their shares in the subsidiary back to the group at their fair value on specified dates over a 5 year period. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Designation of financial assets or financial liabilities as at fair value through profit or loss

AASB7(B5)(a)

(b) Entities that have designated financial assets or financial liabilities as at fair value through profit or loss must disclose the nature of the relevant assets and liabilities and provide additional information in relation to the designation. This could read along the following lines:

The group designates a financial asset or financial liability as at fair value through profit or loss where designation significantly reduces a measurement inconsistency which may arise where a financial asset and a financial liability are measured using different methods.

During the reporting period, the group has financed fixed rate assets (not being loans or receivables and not classified as held-to-maturity) with fixed rate debentures. Measurement inconsistency arises from measuring the assets as available-for-sale (fair value with changes reported in equity) and the debentures at amortised cost (no recognition of fair value changes). Management has therefore designated both the financial assets and financial liabilities as at fair value through profit or loss as this designation will result in more relevant information through the consistent recognition of opposing movements in fair value.

Defaults and breaches in relation to financial liabilities

AASB7(18)

(c) Example disclosures for a default in relation to a borrowing could read as follows:

In the third quarter, the group was overdue paying interest on bank borrowings with a carrying amount of $2,000,000. The group experienced a temporary shortage of cash because cash outflows in the second and third quarter were higher than anticipated due to business expansions. As a result, interest of $75,000 was not paid on the due date of 31 September 2017.

The company has since paid all outstanding amounts (including additional interest and penalties for late payment) during the fourth quarter.

Management expects that the company will be able to meet all contractual obligations from borrowings on a timely basis going forward.

8 Non-financial assets and liabilities [1,19-20]

Not mandatory

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 8(a))
  - investment properties (note 8(b))
  - intangible assets (note 8(c))
  - deferred tax balances (note 8(d))
  - inventories (note 8(e))
  - assets classified as held for sale (note 8(f))
  - employee benefit obligations (note 8(g))
  - provisions (note 8(h))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

(a) Property, plant and equipment [4,5]

	Non-current	Freehold land $'000	Freehold buildings $'000	Furniture, fittings and equipment $'000	Machinery and vehicles $'000	Assets under construction $'000	Total $'000
	At 1 January 2016 (Restated, see note 11(b))						
AASB116(73)(d)	Cost or fair value	11,350	28,050	27,480	70,860	-	137,740
AASB116(73)(d)	Accumulated depreciation	-	-	(7,570)	(37,025)	-	(44,595)
	Net book amount	11,350	28,050	19,910	33,835	-	93,145
	Year ended 31 December 2016						
AASB116(73)(e)	Opening net book amount	11,350	28,050	19,910	33,835	-	93,145
AASB116(73)(e)(viii)	Exchange differences	-	-	(43)	(150)	-	(193)
AASB116(73)(e)(iv)	Revaluation surplus	2,700	3,140	-	-	-	5,840
AASB116(73)(e)(i),(74)(b)	Additions	2,874	1,490	2,940	7,198	3,100	17,602
AASB116(73)(e)(ii) AASB5(38)	Assets included in a disposal group classified as held for sale and other disposals	(424)	-	(525)	(2,215)	-	(3,164)
AASB116(73)(e)(vii)	Depreciation charge	-	(1,540)	(2,030)	(4,580)	-	(8,150)
AASB116(73)(e) AASB116(74)(b)	Closing net book amount	16,500	31,140	20,252	34,088	3,100	105,080
	At 31 December 2016 (Restated, see note 11(b))						
AASB116(73)(d)	Cost or fair value	16,500	31,140	29,852	75,693	3,100	156,285
AASB116(73)(d)	Accumulated depreciation	-	-	(9,600)	(41,605)	-	(51,205)
AASB101(77)	Net book amount	16,500	31,140	20,252	34,088	3,100	105,080
	Year ended 31 December 2017						
AASB116(73)(e)	Opening net book amount	16,500	31,140	20,252	34,088	3,100	105,080
AASB116(73)(e)(viii)	Exchange differences	-	-	(230)	(570)	-	(800)
AASB116(73)(e)(iv)	Revaluation surplus	3,320	3,923	-	-	-	7,243
AASB116(73)(e)(iii)	Acquisition of subsidiary	800	3,400	1,890	5,720	-	11,810
AASB116(73)(e)(i),(74)(b)	Additions	2,500	2,682	5,313	11,972	3,450	25,917
AASB116(73)(e)(ii) AASB5(38)	Assets classified as held for sale and other disposals	(550)	-	(5,985)	(1,680)	-	(8,215)
AASB116(73)(e)(ix)	Transfers	-	-	950	2,150	(3,100)	-
AASB116(73)(e)(vii)	Depreciation charge	-	(1,750)	(2,340)	(4,860)	-	(8,950)
AASB116(73)(e)(v) AASB136(126)(a),(b)	Impairment loss (iii)	-	(465)	(30)	(180)	-	(675)
AASB116(73)(e)	Closing net book amount	22,570	38,930	19,820	46,640	3,450	131,410
	At 31 December 2017						
AASB116(73)(d)	Cost or fair value	22,570	38,930	31,790	93,285	3,450	190,025
AASB116(73)(d)	Accumulated depreciation and impairment	-	-	(11,970)	(46,645)	-	(58,615)
AASB101(77) AASB116(74)(b)	Net book amount	22,570	38,930	19,820	46,640	3,450	131,410

(a) Property, plant and equipment

(i) Leased assets

AASB117(31)(a) Furniture, fittings and equipment includes the following amounts where the group is a lessee under a finance lease (refer to note 7(g) for further details):

	2017 $'000	2016 Restated $'000
Leased equipment		
Cost	**3,000**	3,000
Accumulated depreciation	**(250)**	-
Net book amount	**2,750**	3,000

(ii) Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the group.

(iii) Impairment loss and compensation

AASB136(130)(a) The impairment loss relates to assets that were damaged by a fire – refer to note 4(b) for details. The whole amount was recognised as other expense in profit or loss, as there was no amount included in the asset revaluation surplus relating to the relevant assets.

AASB116(74)(d) An amount of $300,000 (2016 – nil) was received by the group from an insurance company as compensation for damage to a building caused by the fire and recognised as other income.

AASB101(117)

(iv) Revaluation, depreciation methods and useful lives [2,3]

AASB116(73)(a) 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. A revaluation surplus is credited to other reserves in shareholders' equity (note 9(c)). All other property, plant and equipment is recognised at historical cost less depreciation.

AASB116(50),(73)(b) 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:

AASB116(73)(c)

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

See note 25(r) for the other accounting policies relevant to property, plant and equipment.

(v) Significant estimates – valuations of land and buildings [2,3]

Information about the valuation of land and buildings is provided in note 8(i) below.

(vi) Carrying amounts that would have been recognised if land and buildings were stated at cost

AASB116(77)(e) If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2017 $'000	2016 $'000
Freehold land		
Cost	**16,100**	13,350
Accumulated depreciation	**-**	-
Net book amount	**16,100**	13,350
Buildings		
Cost	**37,322**	27,790
Accumulated depreciation	**(3,715)**	(1,850)
Net book amount	**33,607**	25,940

(b) Investment properties

		2017	2016
		$'000	$'000
	Non-current assets - at fair value		
AASB140(76)	Opening balance at 1 January	**10,050**	8,205
AASB140(76)(a)	Acquisitions	**1,900**	-
AASB140(76)(a)	Capitalised subsequent expenditure	**-**	810
AASB140(76)(c)	Classified as held for sale or disposals	**-**	(112)
AASB140(76)(d)	Net gain/(loss) from fair value adjustment	**1,350**	1,397
AASB140(76)(f)	Transfer (to)/from inventories and owner-occupied property	**-**	(250)
AASB140(76)	Closing balance at 31 December	**13,300**	10,050

AASB140(75)(f)

(i) Amounts recognised in profit or loss for investment properties

		2017	2016
		$'000	$'000
AASB140(75)(f)(i)	Rental income	**6,180**	5,165
AASB140(75)(f)(ii)	Direct operating expenses from property that generated rental income	**(807)**	(606)
AASB140(75)(f)(iii)	Direct operating expenses from property that did not generate rental income	**(903)**	(503)
AASB140(75)(f)(iv)	Fair value gain recognised in other income	**1,350**	1,397

AASB101(117)

(ii) Measuring investment property at fair value

AASB140(75)(a) Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

(iii) Significant estimate – fair value of investment property

Information about the valuation of investment properties is provided note 8(i) below.

AASB140(75)(g)

(iv) Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the group.

AASB140(75)(h)

(v) Contractual obligations

Refer to note 18 for disclosure of contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

AASB117(56)(c)

(vi) Leasing arrangements

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

		2017	2016
		$'000	$'000
AASB117(56)(a)	Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
	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

(c) Intangible assets [20]

	Non-current assets	Goodwill $'000	Patents, trademarks and other rights $'000	Internally generated software * $'000	Customer contracts $'000	Total $'000
AASB3(B67)(d)(i)	**At 1 January 2016**					
AASB138(118)(c)	Cost	9,700	9,410	2,255	-	21,365
	Accumulated amortisation and impairment	-	(250)	(205)	-	(455)
	Net book amount	9,700	9,160	2,050	-	20,910
AASB138(118)(e)	**Year ended 31 December 2016**					
	Opening net book amount	9,700	9,160	2,050	-	20,910
AASB138(118)(e)(i) AASB3(B67)(d)(ii)	Additions – internal development	-	-	720	-	720
AASB3(B67)(d)(vi) AASB138(118)(e)(vii)	Exchange differences	45	-	-		45
AASB138(118)(e)(vi)	Amortisation charge **	-	(525)	(205)	-	(730)
	Closing net book amount	9,745	8,635	2,565	-	20,945
AASB3(B67)(d)(viii) AASB138(118)(c)	**At 31 December 2016**					
	Cost	9,745	9,410	2,975	-	22,130
	Accumulated amortisation and impairment	-	(775)	(410)	-	(1,185)
AASB101(77)	Net book amount	9,745	8,635	2,565	-	20,945
AASB3(B67)(d)(i) AASB138(118)(e)	**Year ended 31 December 2017**					
	Opening net book amount	9,745	8,635	2,565	-	20,945
AASB138(118)(e)(i)	Additions – internal development	-	-	880	-	880
AASB3(B67)(d)(ii) AASB138(118)(e)(i)	Acquisition of business (note 14)	1,115	3,020	-	3,180	7,315
AASB3(B67)(d)(vi) AASB138(118)(e)(vii)	Exchange differences	(145)	-	-	-	(145)
AASB3(B67)(d)(v) AASB136(130)(b) AASB138(118)(e)(iv)	Impairment charge ***	(2,410)	-	-	-	(2,410)
AASB138(118)(e)(vi)	Amortisation charge **	-	(525)	(300)	(1,210)	(2,035)
	Closing net book amount	8,305	11,130	3,145	1,970	24,550
AASB3(B67)(d)(viii) AASB138(118)(c)	**At 31 December 2017**					
	Cost	10,715	12,430	3,855	3,180	30,180
	Accumulated amortisation and impairment	(2,410)	(1,300)	(710)	(1,210)	(5,630)
AASB101(77)	Net book amount	8,305	11,130	3,145	1,970	24,550

AASB138(118)(e)(i) * Software consists of capitalised development costs being an internally generated intangible asset.

AASB138(118)(d) ** Amortisation expenses are included in cost of sales of goods ($1,050,000; 2016 – $450,000), cost of providing services ($475,000; 2016 - $125,000), marketing expense ($310,000; 2016 - $45,000) and administration expenses ($200,000; 2016 – $110,000).

AASB136(126)(a),(130)(c)(i),(d)(i) *** The carrying amount of the furniture manufacturing CGU in Europe has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss is included in cost of sale of goods in the statement of profit or loss.

AASB138(126) VALUE IFRS Electronics Group is researching new devices that could replace the current suite of smartphones and tablets. It has incurred research and development expenses of $1,215,000 in the current year (2016 – nil) which are included in administration cost in the statement of profit or loss.

(c) Intangible assets

AASB101(117)

(i) Amortisation methods and useful lives [2,3]

AASB138(118)(a),(b)

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

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

See note 25(t) for the other accounting policies relevant to intangible assets, and note 25(j) for the group's policy regarding impairments.

(ii) Customer contracts

AASB101(119)

The customer contracts were acquired as part of a business combination (see note 14 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.

AASB101(125)

(iii) Significant estimate: useful life of IT division's intangible assets [2,3]

The group has recently completed the development of software that is used to analyse business processes by the IT consulting division. As at 31 December 2017, the carrying amount of this software was $722,000 (2016 – nil). The group estimates the useful life of the software to be at least 5 years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on technical innovations and competitor actions. If it were only 3 years, the carrying amount would be $702,000 as at 31 December 2017. If the useful life were estimated to be 8 years, the carrying amount would be $732,000.

(iv) Impairment tests for goodwill

AASB136(134)

Goodwill is monitored by management at the level of the six operating segments identified in note 2.

AASB136(134)(a)

A segment-level summary of the goodwill allocation is presented below.

2017	**Australia $'000**	**US $'000**	**China $'000**	**Europe $'000**	**Total $'000**
IT consulting	**-**	**4,200**	**-**	**2,870**	**7,070**
Furniture – manufacturing	**120**	**-**	**-**	**-**	**120**
Electronic equipment	**1,115**	**-**	**-**	**-**	**1,115**
	1,235	**4,200**	**-**	**2,870**	**8,305**
2016	Australia $'000	US $'000	China $'000	Europe $'000	Total $'000
IT consulting	-	4,200	-	3,015	7,215
Furniture – manufacturing	120	-	2,410	-	2,530
	120	4,200	2,410	3,015	9,745

(v) Significant estimate: key assumptions used for value-in-use calculations [20]

AASB136(134)(c), (d)(i),(iii),(iv)

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

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

(c) Intangible assets

AASB136(134)(d)(i)

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them: [6,7]

AASB136(130)(g), (134)(d)(i),(iv),(v)

	Furniture – manufacturing	IT consulting		Electronic equipment
2017	**China**	**US**	**Europe**	**Australia**
Sales volume (% annual growth rate)	**2.7**	**3.2**	**4.1**	**2.9**
Sales price (% annual growth rate)	**1.4**	**1.7**	**1.8**	**1.8**
Budgeted gross margin (%)	**47.0**	**60.0**	**55.5**	**40.0**
Other operating costs ($'000)	**9,500**	**8,400**	**5,600**	**1,650**
Annual capital expenditure ($'000)	**1,900**	**500**	**230**	**150**
Long term growth rate (%)	**3.5**	**2.2**	**2.0**	**3.1**
Pre-tax discount rate (%)	**14.7**	**14.0**	**14.8**	**16.0**
2016				
Sales volume (% annual growth rate)	2.5	3.0	3.9	-
Sales price (% annual growth rate)	1.3	1.6	1.8	-
Budgeted gross margin (%)	44.0	60.0	54.0	-
Other operating costs ($'000)	9,300	8,300	4,350	-
Annual capital expenditure ($'000)	1,850	580	225	-
Long term growth rate (%)	3.2	2.2	1.8	-
Pre-tax discount rate (%)	14.3	14.4	15.1	-

AASB136(134)(d)(ii), (iv)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determining values**
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term inflation forecasts for each territory.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate.

AASB136(55)

(c) Intangible assets

Customer concentration/dependency – IT Consulting CGU – Europe

AASB136(134)(d)(ii)

The IT Consulting CGU in Europe generates 20% of its total revenues for each financial year from a key customer in France. The customer contract is for a five-year term, and the customer has been trading with the CGU since 2001. Management has included the renewal of this key customer contract in the value-in-use calculations to determine the recoverable amount of the CGU.

AASB136(134)(f)

(vi) Significant estimate – impairment charge [2,3]

AASB136(129)(a), (130)(a),(b),(d),(e)

The impairment charge of $2,410,000 arose in the furniture manufacturing CGU in China following a decision to reduce the manufacturing output allocated to these operations. This was a result of a redefinition of the group's allocation of manufacturing volumes across all CGUs in order to benefit from advantageous market conditions. Following this decision, the group reassessed the depreciation policies of its property, plant and equipment in this country and estimated that their useful lives will not be affected following this decision. No class of asset other than goodwill was impaired.

AASB136(130)(e)

As at 31 December 2017, the recoverable amount of the entire CGU was $45,789,000.

(vii) Significant estimate: Impact of possible changes in key assumptions

AASB136(134)(f)

Furniture manufacturing CGU – China

AASB101(129)(b)
AASB136(134)(f)

If the budgeted gross margin used in the value-in-use calculation for the furniture manufacturing CGU in China had been 5% lower than management's estimates at 31 December 2017 (42% instead of 47%), the group would have had to recognise an impairment against the carrying amount of property, plant and equipment of $1,300,000. The reasonably possible change of 5% reduction in budgeted gross margin represents a reasonably possible reduction in sales price of 0.2% (i.e. annual growth rate of 1.2% instead of 1.4%).

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates (15.7% instead of 14.7%), the group would have had to recognise an impairment against property, plant and equipment of $600,000. In the prior year there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in the Chinese furniture manufacturing CGU.

IT Consulting CGU – Europe

AASB136(134)(f)(i)
AASB101(38)

The recoverable amount of the IT Consulting CGU in Europe is estimated to exceed the carrying amount of the CGU at 31 December 2017 by $388,000 (2016 – $463,000).

AASB136(134)(f)(ii), (iii)
AASB101(38)

The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	2017		2016	
	From	**To**	From	To
Sales volume (% annual growth rate)	**4.1**	**3.5**	3.9	2.5
Budgeted gross margin (%)	**55.5**	**49**	54.0	46
Long-term growth rate (%)	**2.0**	**1.5**	1.8	1.3
Pre-tax discount rate (%)	**14.8**	**15.5**	15.1	15.9

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the European IT Consulting CGU to exceed its recoverable amount.

(d) Deferred tax balances

(i) Deferred tax assets

AASB112(81)(g)(i)

	Notes	2017 $'000	2016 Restated $'000
The balance comprises temporary differences attributable to:			
Tax losses		**3,170**	2,245
Defined benefit pension obligations	8(g)	**1,317**	783
Employee benefits		**914**	822
Provisions for warranties, volume discounts, refunds, make good obligations and legal claims		**992**	846
		6,393	4,696
Other			
Provision for restructuring	8(h)	**270**	-
Cash flow hedges	12(a)	**230**	233
Doubtful debts	12(a)	**227**	137
Derivatives held for trading	12(a)	**183**	186
Deferred revenue	3(b)	**179**	171
Contingent liability	8(h)	**143**	-
Write-down of building	4	**140**	-
Share issue costs	9(a)	**48**	-
Other		**53**	34
Sub-total other		**1,473**	761
Total deferred tax assets		**7,866**	5,457
Set-off of deferred tax liabilities pursuant to set-off provisions [8,9] (AASB112(74))	(ii)	**(543)**	(478)
Net deferred tax assets		**7,323**	4,979

AASB101(125)
AASB112(82)

Significant estimates [2,3]

The deferred tax assets include an amount of $1,378,000 which relates to carried forward tax losses of VALUE IFRS Manufacturing Limited. The subsidiary has incurred the losses over the last two financial years following the acquisition of the manufacturing operations in Springfield. They relate to the one-off costs of integrating the operations and will not recur in future. The group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2019 onwards. The losses can be carried forward indefinitely and have no expiry date.

AASB112(81)(g)(ii)

Movements [10,11]	Tax losses $'000	Pension obligation $'000	Employee benefits $'000	Pro-visions $'000	Other $'000	Total $'000
At 1 January 2016 (Restated)	1,300	551	791	670	369	3,681
(Charged)/credited						
- to profit or loss (AASB112(81)(g)(ii))	945	(41)	31	176	304	1,415
- to other comprehensive income	-	273	-	-	88	361
At 31 December 2016 (Restated)	2,245	783	822	846	761	5,457

(d) Deferred tax balances

AASB112(81)(g)(ii)

Movements [10,11]	Tax losses $'000	Pension obligation $'000	Employee benefits $'000	Pro-visions $'000	Other $'000	Total $'000
At 31 December 2016 (Restated)	2,245	783	822	846	761	5,457
(Charged)/credited						
- to profit or loss (AASB112(81)(g)(ii))	(600)	(4)	(33)	146	509	18
- to other comprehensive income	-	(36)	-	-	8	(28)
- directly to equity (AASB112(81)(a))	-	-	-	-	60	60
Acquisition of subsidiary	1,525	574	125	-	135	2,359
At 31 December 2017	3,170	1,317	914	992	1,473	7,866

(ii) Deferred tax liabilities

AASB112(81)(g)(i)

	Notes	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:			
Property, plant and equipment	8(a)	**6,258**	4,140
Intangible assets	8(c)	**2,375**	770
Convertible note	7(g)	**955**	-
Investment property	8(b)	**1,124**	719
		10,712	5,629
Other			
Financial assets at fair value through profit or loss	7(d)	**720**	420
Derivatives held for trading	12(a)	**556**	425
Available-for-sale financial assets	7(c)	**281**	172
Investments in associates	16(e)	**131**	113
Prepayments	7(a)	**150**	143
Inventories	8(e)	**120**	-
Share-based payments (deferred shares)	21(b)	**51**	22
Other		**182**	214
Sub-total other		**2,191**	1,509
Total deferred tax liabilities		**12,903**	7,138
Set-off of deferred tax liabilities pursuant to set-off provisions [8,9] (AASB112(74))	(i)	**(543)**	(478)
Net deferred tax liabilities		**12,360**	6,660

Offsetting within tax consolidated group [8,9]

UIG1052(16)(a)

VALUE ACCOUNTS Holdings Limited and its wholly-owned Australian 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.

(d) Deferred tax balances

	Movements [10,11]	Property, plant and equipment $'000	Intangible assets $'000	Investment property $'000	Convertible note $'000	Other $'000	Total $'000
	At 1 January 2016	2,150	615	300	-	1,291	4,356
	Charged/(credited)						
AASB112(81)(g)(ii)	- to profit or loss	238	155	419	-	189	1,001
	- to other comprehensive income	1,752	-	-	-	29	1,781
	At 31 December 2016	4,140	770	719	-	1,509	7,138
	Charged/(credited)						
AASB112(81)(g)(ii)	- to profit or loss	(379)	(255)	405	(95)	504	180
	- to other comprehensive income	2,173	-	-	-	58	2,231
AASB112(81)(a)	- directly to equity	-	-	-	1,050	-	1,050
	Acquisition of subsidiary	324	1,860	-	-	120	2,304
	At 31 December 2017	6,258	2,375	1,124	955	2,191	12,903

(e) Inventories

		2017 $'000	2016 $'000
	Current assets		
AASB101(77) AASB102(36)(b)	Raw materials and stores	**6,200**	4,800
AASB102(36)(b)	Work in progress	**5,600**	5,400
AASB102(36)(b)	Finished goods – at cost	**6,663**	8,452
AASB102(36)(c)	Finished goods – at fair value less cost to sell	**1,290**	1,020
AASB102(36)(b)	Land held for development and resale	**2,400**	-
		22,153	19,672

AASB101(117)

(i) Assigning costs to inventories [2,3]

AASB102(23),(25),(36)(a)

The costs of individual items of inventory are determined using weighted average costs. The exception is land held for development and resale where costs are assigned by specific identification and include the cost of acquisition, development and borrowing costs incurred during the development. See note 25(m) for the group's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

AASB102(36)(d)

Inventories recognised as an expense during the year ended 31 December 2017 amounted to $55,540,000,000 (2016 – $34,244,000). These were included in cost of sales and cost of providing services (except for $535,000 of inventories damaged by a fire which are recognised in other expense – refer to note 4).

AASB102(36)(e) AASB136(126)(a)

Write-downs of inventories to net realisable value amounted to $950,000 (2016 – $750,000). These were recognised as an expense during the year ended 31 December 2017 and included in 'cost of sales' in profit or loss.

AASB102(36)(f),(g)

The group reversed $160,000 of a previous inventory write-down in July 2017, as the group sold the relevant goods that had been written down to an independent retailer in Argentina at original cost. The amount reversed has been included in 'cost of sales' in the income statement.

(f) Assets classified as held for sale [12]

	2017 $'000	2016 $'000
Non-current assets held for sale		
Land	**250**	-
	250	-

AASB5(41)(a),(b),(d)

In November 2017, the directors of VALUE IFRS Manufacturing Limited decided to sell a parcel of vacant land which was originally acquired for an expansion of the Nicetown factory. There are several interested parties and the sale is expected to be completed before the end of June 2018. The asset is presented within total assets of the Australian Furniture – manufacturing segment in note 2.

Refer to note 15(d) for information about assets and liabilities of a disposal group that were classified as held for sale at 31 December 2016.

(i) Non-recurring fair value measurements

AASB13(91)(a),(93)(b),(d)
AASB5(41)(c)

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of a writedown of $22,000 as other expenses in the statement of profit or loss. The fair value of the land was determined using the sales comparison approach as described in note 8(i) below. This is a level 2 measurement as per the fair value hierarchy set out in note 7(h) above.

(g) Employee benefit obligations [13]

AASB101(77)

	2017			2016		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Leave obligations (i)	**690**	**2,220**	**2,910**	470	2,270	2,740
Share-appreciation rights (note 21)	**-**	**138**	**138**	-	-	-
Defined pension benefits (ii)	**-**	**3,684**	**3,684**	-	1,900	1,900
Post-employment medical benefits (iii)	**-**	**707**	**707**	-	711	711
Total employee benefit obligations	**690**	**6,749**	**7,439**	470	4,881	5,351

(i) Leave obligations [13]

The leave obligations cover the group's liability for long service leave and annual leave.

AASB101(61)

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $690,000 (2016 - $470,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months. [14]

	2017 $'000	2016 $'000
Current leave obligations expected to be settled after 12 months	**344**	272

(g) Employee benefit obligations

(ii) Defined benefit pension plans [15,16]

AASB119(139)(a)
AASB101(112)(c)

The group operates defined benefit pension plans in Australia and the US under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the Australian plans, pensions in payment are generally updated in line with the retail price index, whereas in the US plans, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in Australia, the plans face broadly similar risks, as described below.

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the company meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the group and the trustees (or equivalent) and their composition. Responsibility for governance of the plans – including investment decisions and contributions schedules – lies jointly with the company and the board of trustees. The board of trustees must be composed of representatives of the company and plan participants in accordance with the plan's regulations.

AASB119(53)

The group also operates a couple of defined contribution plans which receive fixed contributions from group companies. The group's legal or constructive obligation for these plans is limited to the contributions. The expense recognised in the current period in relation to these contributions was $2,425,000 (2016 – $2,075,000).

Balance sheet amounts

AASB119(140)(a)(i),(ii),(141)

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	Total $'000	Impact of minimum funding requirement/ asset ceiling $'000	Net amount $'000
	1 January 2016	**3,479**	**(2,264)**	**1,215**	**120**	**1,335**
AASB119(141)(a)	Current service cost	319	-	319		319
AASB119(141)(d)	Past service cost	179	-	179		179
AASB119(141)(b)	Interest expense/(income)	214	(156)	58	5	63
	Total amount recognised in profit or loss	712	(156)	556	5	561
AASB119(141)(c)	Remeasurements					
	Return on plan assets, excluding amounts included in interest (income)	-	(85)	(85)	-	(85)
	Loss from change in demographic assumptions	20	-	20	-	20
	Loss from change in financial assumptions	61	-	61	-	61
	Experience losses	641	-	641	-	641
	Change in asset ceiling, excluding amounts included in interest expense	-	-	-	80	80
	Total amount recognised in other comprehensive income	722	(85)	637	80	717
AASB119(141)(e)	Exchange differences	(324)	22	(302)	-	(302)
AASB119(141)(f)	Contributions:					
	Employers	-	(411)	(411)	-	(411)
	Plan participants	30	(30)	-	-	-
AASB119(141)(g)	Benefit payments	(127)	127	-	-	-
	31 December 2016	**4,492**	**(2,797)**	**1,695**	**205**	**1,900**

(g) Employee benefit obligations

		Present value of obligation $'000	Fair value of plan assets $'000	Total $'000	Impact of minimum funding requirement/ asset ceiling $'000	Net amount $'000
	1 January 2017	**4,492**	**(2,797)**	**1,695**	**205**	**1,900**
AASB119(141)(a)	Current service cost	751	-	751	-	751
AASB119(141)(d)	Losses on curtailment and settlement	65	-	65		65
AASB119(141)(b)	Interest expense/(income)	431	(308)	123	9	132
	Total amount recognised in profit or loss	1,247	(308)	939	9	948
AASB119(141)(c)	Remeasurements					
	Return on plan assets, excluding amounts included in interest (income)	-	(187)	(187)	-	(187)
	Loss from change in demographic assumptions	32	-	32	-	32
	Loss from change in financial assumptions	121	-	121	-	121
	Experience (gains)	(150)	-	(150)	-	(150)
	Change in asset ceiling, excluding amounts included in interest expense	-	-	-	100	100
	Total amount recognised in other comprehensive income	3	(187)	(184)	100	(84)
AASB119(141)(e)	Exchange differences	(61)	(25)	(86)	-	(86)
AASB119(141)(f)	Contributions:					
	Employers	-	(908)	(908)	-	(908)
	Plan participants	55	(55)	-	-	-
	Payments from plan:					
AASB119(141)(g)	Benefit payments	(566)	566	-	-	-
AASB119(141)(g)	Settlements	(280)	280	-	-	-
AASB119(141)(h)	Acquired in business combination (see note 14)	3,691	(1,777)	1,914	-	1,914
	31 December 2017	**8,581**	**(5,211)**	**3,370**	**314**	**3,684**

AASB119(141) One of our Australian plans has a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

AASB119(139)(c) In connection with the closure of a factory, a curtailment loss was incurred and a settlement arrangement agreed with the plan trustees, effective 31 December 2017, which settled all retirement benefit plan obligations relating to the employees of that factory. In the prior year, the group made minor amendments to the terms of the plan, resulting in past service cost of $179,000.

AASB119(138)(e) The net liability disclosed above relates to funded and unfunded plans as follows:

	2017 $'000	2016 $'000
Present value of funded obligations	**6,155**	2,943
Fair value of plan assets	**(5,211)**	(2,797)
Deficit of funded plans	**944**	146
Present value of unfunded obligations	**2,426**	1,549
Total deficit of defined benefit pension plans (before asset ceiling)	**3,370**	1,695

(g) Employee benefit obligations

AASB101(112)(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.

AASB119(138)(a) The following table shows a breakdown of the defined benefit obligation and plan assets by country:

	2017			2016		
	Australia $'000	**US $'000**	**Total $'000**	Australia $'000	US $'000	Total $'000
Present value of obligation	**4,215**	**4,366**	**8,581**	1,050	3,442	4,492
Fair value of plan assets	**(2,102)**	**(3,109)**	**(5,211)**	(394)	(2,403)	(2,797)
	2,113	**1,257**	**3,370**	656	1,039	1,695
Impact of minimum funding requirement/asset ceiling	**314**	**-**	**314**	205	-	205
Total liability	**2,427**	**1,257**	**3,684**	861	1,039	1,900

AASB119(137)(a) As at the last valuation date, the present value of the defined benefit obligation included approximately $3,120,000 (2016 – $1,371,000) relating to active employees, $3,900,000 (2016 – $2,115,000) relating to deferred members and $1,561,000 (2016 – $1,006,000) relating to members in retirement.

(iii) Post-employment medical plans

AASB119(138),(139)(a)
AASB101(112)(c)
AASB119(144)

The group operates a number of post-employment medical benefit schemes, principally in the US. The majority of these plans are unfunded. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for the defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 8.0% (2016 – 7.6%) and claim rates of 6% (2016 – 5.2%).

Balance sheet amounts

AASB119(140)(a)(i),(ii),(141) 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
	1 January 2016	**708**	**(207)**	**501**
AASB119(141)(a)	Current service cost	107	-	107
AASB119(141)(b)	Interest expense/(income)	25	(13)	12
	Total amount recognised in profit or loss	132	(13)	119
AASB119(141)(c)	Remeasurements			
	Return on plan assets, excluding amounts included in interest (income)	-	(11)	(11)
	Loss from change in demographic assumptions	3	-	3
	Loss from change in financial assumptions	7	-	7
	Experience losses	194	-	194
	Total amount recognised in OCI	204	(11)	193
AASB119(141)(e)	Exchange differences	(31)	2	(29)
AASB119(141)(f)	Employer contributions/premiums paid	-	(73)	(73)
AASB119(141)(g)	Benefit payments from plan	(8)	8	-
	31 December 2016	**1,005**	**(294)**	**711**

(g) Employee benefit obligations

		Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
	1 January 2017	**1,005**	**(294)**	**711**
AASB119(141)(a)	Current service cost	153	-	153
AASB119(141)(b)	Interest expense/(income)	49	(18)	31
	Total amount recognised in profit or loss	202	(18)	184
AASB119(141)(c)	Remeasurements			
	Return on plan assets, excluding amounts included in interest (income)	-	(33)	(33)
	Loss from change in demographic assumptions	4	-	4
	Loss from change in financial assumptions	10	-	10
	Experience (gains)	(16)	-	(16)
	Total amount recognised in OCI	(2)	(33)	(35)
AASB119(141)(e)	Exchange differences	37	(5)	32
AASB119(141)(f)	Employer contributions/premiums paid:	-	(185)	(185)
AASB119(141)(g)	Benefit payments from plan	(7)	7	-
	31 December 2017	**1,235**	**(528)**	**707**

AASB119(138)(e) The net liability disclosed above relates to funded and unfunded plans as follows:

	2017 $'000	2016 $'000
Present value of funded obligations	**650**	350
Fair value of plan assets	**(528)**	(294)
Deficit of funded plans	**122**	56
Present value of unfunded obligations	**585**	655
Total deficit of post-employment medical plans	**707**	711

(v) Post-employment benefits (pension and medical)

Significant estimates: actuarial assumptions and sensitivity

AASB119(144) The significant actuarial assumptions were as follows:

	2017		2016	
	Australia	**US**	Australia	US
Discount rate	**5.1%**	**5.2%**	3.5%	5.6%
Inflation	**3.0%**	**4.0%**	3.5%	4.2%
Salary growth rate	**4.0%**	**4.5%**	4.5%	4.0%
Pension growth rate	**3.0%**	**0%**	3.1%	0%
Long-term increase in health care cost	**-**	**8.0%**	-	7.6%
Claim rates	**-**	**6%**	-	5.2%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2017		2016	
	Australia	**US**	Australia	US
Retiring at the end of the reporting period:				
Male	**22**	**20**	22	20
Female	**25**	**24**	25	24
Retiring 20 years after the end of the reporting period:				
Male	**24**	**23**	24	23
Female	**27**	**26**	27	26

(g) Employee benefit obligations

AASB119(145)(a)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption		Impact on defined benefit obligation					
			Increase in assumption			Decrease in assumption		
	2017	2016		**2017**	2016		**2017**	2016
Discount rate	**0.50%**	0.3%	**Decrease by**	**8.2%**	6.6%	**Increase by**	**9.0%**	7.2%
Salary growth rate	**0.50%**	0.7%	**Increase by**	**1.8%**	2.3%	**Decrease by**	**1.7%**	2.1%
Pension growth rate	**0.25%**	0.3%	**Increase by**	**4.7%**	5.2%	**Decrease by**	**4.4%**	5.1%
Life expectancy	**+/- 1 year**		**Increase by:**	**2.8%**	2.5%	**Decrease by**	**2.9%**	2.7%
Long-term increase in health care cost	**0.5%**	0.4%	**Increase by**	**5.5%**	5.2%	**Decrease by**	**4.8%**	4.3%
Claim rates	**0.5%**	0.4%	**Increase by**	**6.3%**	5.9%	**Decrease by**	**6.8%**	6.4%

AASB119(145)(b)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

AASB119(145)(c)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Balance sheet amounts

AASB119(142)

The major categories of plan assets are as follows:

	31 December 2017				31 December 2016			
	Quoted	**Un-quoted**	**Total**	**in %**	Quoted	Un-quoted	Total	in %
	$'000	**$'000**	**$'000**		$'000	$'000	$'000	
Equity instruments			**1,824**	**31%**			1,216	39%
Information technology	**502**	**-**	**502**		994	-	994	
Energy	**557**	**-**	**557**		-	-	-	
Manufacturing	**746**	**-**	**746**		194	-	194	
Other	**-**	**19**	**19**		-	28	28	
Debt instruments			**2,161**	**37%**			571	20%
Government	**916**	**-**	**916**		321	-	321	
Corporate bonds (investment grade)	**900**	**-**	**900**		99	-	99	
Corporate bonds (non-investment grade)	**68**	**277**	**345**		41	110	151	
Property			**1,047**	**18%**			943	31%
In US	**-**	**800**	**800**			697	697	
In Australia	**-**	**247**	**247**		-	246	246	
Qualifying Insurance policies	**-**	**419**	**419**	**9%**	-	190	190	6%
Cash and cash equivalents	**177**	**-**	**177**	**3%**	94	-	94	3%
Investment funds	**111**	**-**	**111**	**2%**	77	-	77	2%
Total	**3,977**	**1,762**	**5,739**	**100%**	1,820	1,271	3,091	100%

AASB119(143)

The assets set out in the above table include ordinary shares issued by VALUE ACCOUNTS Holdings Limited with a fair value of $530,000 (2016 – $410,000) and land and buildings occupied by the group with a fair value of $550,000 (2016 – $580,000).

(g) Employee benefit obligations

Risk exposure

AASB119(139)(b) Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the Australian and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in FY2017 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in Australia and US government securities only. The corporate bonds are global securities with an emphasis on Australia and the US. However, the group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently. See below for more details on the group's asset-liability matching strategy.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risks	Some of the group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the Australian plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

AASB119(146) In the case of funded plans, the group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets in 2017 consists of equities and bonds, although the group also invests in property, bonds, cash and investment (hedge) funds. The group believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in Australia and Europe, 30% in the US and the remainder in emerging markets.

(g) Employee benefit obligations

(v) Defined benefit liability and employer contributions

AASB119(147)(a) The group has agreed that it will aim to eliminate the pension plan deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed contribution rate is 14% of pensionable salaries in Australia and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2018. The group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

AASB119(147)(b) Expected contributions to post-employment benefit plans for the year ending 31 December 2018 are $1,150,000.

AASB119(147)(c) The weighted average duration of the defined benefit obligation is 25.2 years (2016 – 25.8 years). The expected maturity analysis of undiscounted pension and post-employment medical benefits is as follows:

AASB119(147)(c)

		Less than a year $'000	Between 1 - 2 years $'000	Between 2 - 5 years $'000	Over 5 years $'000	Total $'000
	31 December 2017					
	Defined benefit obligation	**628**	**927**	**2,004**	**21,947**	**25,506**
	Post-employment medical benefits	**127**	**174**	**614**	**4,775**	**5,690**
	Total	**755**	**1,101**	**2,618**	**26,722**	**31,196**
AASB101(38)	31 December 2016					
	Defined benefit obligation	314	450	1,103	12,923	14,790
	Post-employment medical benefits	69	88	388	2,591	3,136
	Total	383	538	1,491	15,514	17,926

(h) Provisions

AASB101(77)

	2017			2016		
	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
Volume discounts and returns (i)	**414**	**-**	**414**	197	-	197
Legal claim (i)	**460**	**-**	**460**	320	-	320
Contingent liability (note 14)	**477**	**-**	**477**	-	-	-
	3,111	**1,573**	**4,684**	1,437	1,382	2,819

(i) Information about individual provisions and significant estimates

Make good provision

AASB137(85)(a),(b)

VALUE IFRS Retail Limited is required to restore the leased premises of its retail stores 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 or the useful life of the assets.

Restructuring

AASB137(85)(a),(b)

The reduction in output in the furniture manufacturing division (see note 8(c) above) resulted in the loss of 155 jobs at two factories. An agreement was reached with the local union representatives in October 2017, 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 lease termination, 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.

Service warranties

AASB137(85)(a),(b)

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.

AASB101(125)

The group generally offers 12 months 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 31 December 2017, this particular provision had a carrying amount of $330,000 (2016 - $450,000). Were claims costs to differ by 10% from management's estimates, the warranty provisions would be an estimated $33,000 higher or lower (2016 – $45,000 higher/lower).

Volume discounts and returns

AASB137(85)(a),(b)

When a customer has a right to return the product within a given period, the group recognises a provision for returns ($269,000 as at 31 December 2017 and $72,000 as at 31 December 2016). This is measured on a net basis at the margin on the sale. Revenue is adjusted for the expected value of the returns and cost of sales are adjusted for the value of the corresponding goods to be returned. The group also recognises a provision for volume discounts ($145,000 as at 31 December 2017 and $125,000 as at 31 December 2016); see the explanations in note 3(b) for further information.

Legal claim

AASB137(85)(a),(b)

In October 2017, an unfavourable judgement was handed down against the group in respect of a legal claim made by a customer of the IT consulting segment. 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 August 2018.

See note 25(x) for the group's other accounting policies relevant to provisions.

(h) Provisions

(ii) Movements in provisions

AASB137(84)

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2017	Make good provision $'000	Restruc-turing obligations $'000	Service warran-ties $'000	Contin-gent liability $'000	Other $'000	Total $'000
AASB137(84)(a) Carrying amount at start of year	1,382	-	920	-	517	2,819
Acquired through business combination	-	-	-	450	-	450
AASB137(84)(b) Additional provision charged to plant and equipment	350	-	-	-	-	350
Charged/(credited) to profit or loss						
AASB137(84)(b) - additional provisions recognised	-	1,377	268	-	611	2,256
AASB137(84)(d) - unused amounts reversed	-	-	(330)	-	(56)	(386)
AASB137(84)(e) - unwinding of discount	66	-	-	27	-	93
AASB137(84)(c) Amounts used during the year	-	(477)	(223)	-	(198)	(898)
AASB137(84)(a) Carrying amount at end of year	1,798	900	635	477	874	4,684

(i) Recognised fair value measurements [17-18]

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 7(h).

AASB13(93)(a),(b)

At 31 December 2017	Notes	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment properties					
Office buildings – West Harbourcity [17]	8(b)	**-**	**-**	**13,300**	**13,300**
Land and buildings [17]					
Manufacturing sites – Australia	8(a)	**-**	**-**	**43,750**	**43,750**
Manufacturing sites – China				**17,750**	**17,750**
Land held for sale	8(f)	**-**	**250**	**-**	**250**
Total non-financial assets		**-**	**250**	**74,800**	**75,050**

AASB101(38)

At 31 December 2016	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment properties					
Office buildings – West Harbourcity	8(b)	-	5,135	4,915	10,050
Land and buildings					
Manufacturing sites – Australia	8(a)	-	-	32,487	32,487
Manufacturing sites – China				15,153	15,153
Total non-financial assets		-	5,135	52,555	57,690

AASB13(95)

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(i) Recognised fair value measurements

AASB13(93)(c)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see (iv) below.

(ii) Valuation techniques used to determine level 2 and level 3 fair values

AASB13(91)(a),(93)(d)
AASB116(77)(a)
AASB140(75)(e)

The group obtains independent valuations for its investment properties at least annually and for its freehold land and buildings related to manufacturing sites (classified as property, plant and equipment) at least every three years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3 except for land held for resale. The level 2 fair value of land held for resale has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size).

(iii) Fair value measurements using significant unobservable inputs (level 3)

AASB13(93)(e)

The following table presents the changes in level 3 items for the periods ended 31 December 2016 and 31 December 2017 for recurring fair value measurements:

		Manufacturing sites		
	Office buildings $'000	Australia $'000	China $'000	Total $'000
AASB101(38) **Opening balance 1 January 2016**	3,470	27,043	12,357	42,870
Acquisitions	810	2,584	1,780	5,174
Disposals	(112)	(424)		(536)
Reclassification to inventory	(250)	-	-	(250)
Amounts recognised in profit or loss				
Depreciation and impairment	-	(1,100)	(440)	(1,540)
Gains recognised in other income *	997	-	-	997
Gains recognised in other comprehensive income	-	4,384	1,456	5,840
Closing balance 31 December 2016	4,915	32,487	15,153	52,555
Transfer from level 2	5,135	-		5,135
Acquisitions	1,900	7,135	2,247	11,282
Disposals	-	(550)	-	(550)
Amounts recognised in profit or loss				
Depreciation and impairment	-	(1,360)	(855)	(2,215)
Gains recognised in other income *	1,350	-	-	1,350
Gains recognised in other comprehensive income	-	6,038	1,205	7,243
Closing balance 31 December 2017	13,300	43,750	17,750	74,800

AASB13(93)(f)

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period				
2017	1,350	-	-	1,350
2016	907	-	-	907

(i) Recognised fair value measurements

(iv) Transfers between levels 2 and 3 and changes in valuation techniques

AASB13(93)(d)

The group commenced redevelopment of an office building in Australia during the year. The redevelopment will greatly expand the net lettable area of the building and is expected to be completed in early 2018. Prior to redevelopment, the building was valued using the sales comparison approach based on recent sales of comparable properties in the area. This resulted in a level 2 fair value. Upon redevelopment, the group had to revise its valuation technique for the property under construction. The revised valuation technique uses significant unobservable inputs. Accordingly, the fair value measurement was reclassified to level 3.

AASB13(93)(d)

The revised valuation technique for the building under construction estimates the fair value of the completed office building and deducts:

- estimated construction and other costs to completion that would be incurred by a market participant, and
- estimated profit margin that a market participant would require to hold and develop the property to completion, based on the state of the property as at 31 December 2017.

Other than described above, there were no changes in valuation techniques during the year.

(v) Valuation inputs and relationships to fair value

AASB13(93)(d),(99)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

AASB13(91)(a),(93)(d),(h)(i)

Description	Fair value at 31 December 2017 $'000	Fair value at 31 December 2016 $'000	Unobservable inputs *	Range of inputs (probability-weighted average) 2017	Range of inputs (probability-weighted average) 2016	Relationship of unobservable inputs to fair value
Leased office buildings	7,765	4,915	Discount rate	4% - 5% (4.8%)	3% - 4% (3.6%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	6% - 7% (6.6%)	5.5% - 6% (5.8%)	
			Capitalisation rate	4% - 4.5% (4.4%)	4% - 4.5% (4.2%)	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
			Expected vacancy rate	9% - 10% (9.2%)	8% - 10% (8.7%)	
			Rental growth rate	3% - 3.6% (3.2%)	2% - 2.5% (2.2%)	The higher the rental growth rate, the higher the fair value
Office building under re-development	5,535	n/a - Level 2 fair value	Estimated cost to completion	$3,230,000 - $3,510,000 ($3,395,000)	n/a	The higher the estimated costs the lower the fair value
			Estimated profit margin required to hold and develop property to completion	12.5% of property value	n/a	The higher the profit margin required, the lower the fair value
Manufacturing sites - Australia	43,750	32,487	Discount rate	6% - 7% (6.7%)	8% - 9% (7.7%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	8% - 9% (8.2%)	9.5% - 10% (9.7%)	

(i) Recognised fair value measurements

AASB13(91)(a),(93)(d),(h)(i),(ii)

Description	Fair value at 31 December 2017 $'000	Fair value at 31 December 2016 $'000	Unobservable inputs *	Range of inputs (probability-weighted average) 2017	Range of inputs (probability-weighted average) 2016	Relationship of unobservable inputs to fair value
Manufacturing sites - China	17,750	15,153	Discount rate	10% - 12% (11%)	9% - 10% (9.4%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	14% - 15% (14.3%)	13% - 14% (13.2%)	

AASB13(93)(h)(i)

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

AASB13(93)(g)

(vi) Valuation processes

The group engages external, independent and qualified valuers to determine the fair value of the group's investment properties at the end of every financial year and for other land and buildings at least every three years. As at 31 December 2017, the fair values of the investment properties have been determined by ABC Property Surveyors Limited. A directors' valuation has been performed for the land and buildings classified as property, plant and equipment as at 31 December 2017. The last independent valuation of these land and buildings was performed as at 31 December 2016.

AASB140(75)(e)
AASB116(77)(a),(b)

The main level 3 inputs used by the group are derived and evaluated as follows:

- Leased office buildings – discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by ABC Property Surveyors Limited or management based on comparable transactions and industry data.
- Office building under redevelopment – costs to completion and profit margin are estimated by ABC Property Surveyors Limited based on market conditions as at 31 December 2017. The estimates are consistent with the budgets developed internally by the group based on management's experience and knowledge of market conditions.

Changes in level 2 and 3 fair values are analysed at each reporting date during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

Non-financial assets and liabilities

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

1. Users of financial reports have indicated that they would like to be able to quickly access all of the information about the entity's financial assets and liabilities without having to trawl through various notes in the financial report. We have therefore structured our notes such that financial items and non-financial items are discussed separately. But you should be aware that this is not a mandatory requirement in any of the accounting standards.

Accounting policies, estimates and judgements

2. As explained on page 67, in our view it is 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.
3. For general commentary regarding the disclosures of accounting policies please refer to note 25. Commentary about the disclosure of significant estimates and judgements is provided in note 11.

Non-financial assets and liabilities

Classes of property, plant and equipment

AASB116(37)

4. A class of property, plant and equipment is a grouping of assets of a similar nature and use in the entity's operation. Paragraph 37 of AASB 116 provides the following examples:
   (a) land
   (b) land and buildings
   (c) machinery
   (d) ships
   (e) aircraft
   (f) motor vehicles
   (g) furniture and fixtures
   (h) office equipment
5. Each entity will have different classes, depending on their individual operations. The number of classes that are separately disclosed also depends on materiality. However, the 'plant and equipment' of an entity will normally include assets of quite different nature and use. It will therefore not be sufficient to provide the information required in AASB 116 only for two classes, being 'land and buildings' and 'plant and equipment'. Rather, entities should provide a further breakdown or, alternatively, use a more specific narrative to illustrate that the entity has only one major class of plant and equipment.

Impairment

Impairment testing – disclosure of assumptions

AASB136(132)
AASB136(134)

6. An entity is encouraged to disclose the assumptions used to determine the recoverable amount of all significant assets and cash-generating units during the period. However, as a minimum, paragraph 134 of AASB 136 requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit. In many cases, the impairment calculations also involve significant estimates and judgements which should be highlighted under AASB 101 paragraphs 122 and 125.

Prior year recoverable amount calculation

AASB136(136)

7. The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraphs 24 or 99 of AASB 136, be carried forward and used in the impairment test for that unit (group of units) in the current period provided specified criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 134 and 135 of AASB 136 relate to the carried forward calculation of recoverable amount.

Deferred tax assets and liabilities

Offsetting

AASB112(74)

8. Deferred tax assets and liabilities shall be set off if, and only if:
   (a) there is a legally recognised right to set off current tax assets and liabilities, and
   (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:
      (i) the same taxable entity, or
      (ii) different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

AASB112(76)

9. The circumstances giving rise to a set off between entities in a consolidated entity are likely to be rare unless the entities are part of a tax consolidated group. As disclosed in note 8(d) we have assumed this to be the case for VALUE ACCOUNTS Holdings Limited.

Non-financial assets and liabilities

Disclosure of reconciliation by type of temporary difference

AASB112(81)(g)

10. AASB 112 requires the following disclosures for each type of temporary difference and in respect of each type of unused tax loss and tax credit:
    (a) the deferred tax balances recognised for each period presented
    (b) the amounts of deferred tax income or expense recognised in profit or loss, if this is not apparent from the changes in the amounts recognised in the balance sheet
11. This information can be presented in various ways. VALUE ACCOUNTS Holdings Limited has chosen to provide the information in the form of a reconciliation by type of temporary difference. However, other formats are equally acceptable as long as all of the required disclosures are made.

Assets held for sale

12. There is no requirement in either AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* or AASB 101 *Presentation of Financial Statements* to present assets of a disposal group separately from individual assets held for sale. VALUE ACCOUNTS Holdings Limited has therefore combined the assets of a disposal group with individual assets held for sale as a single line item in the balance sheet, but provided the associated disclosures in separate notes.

Employee benefit obligations

AASB137(1)(c),(5)(d)

13. AASB 137 does not generally apply to employee benefits as these are dealt with by AASB 119 *Employee Benefits*. However, employee benefits may be classified as provisions in the balance sheet where either the amounts or the timing of the future payments in respect of these obligations is uncertain. Alternatively, they could either be classified as other payables (where the amount and timing is certain) or, as we have done in this publication, presented as a separate line item in the balance sheet. If the amounts recognised in relation to employee benefit obligations are material, entities should consider providing the information required by AASB 137 regardless of how the amounts are presented.

Classification of employee benefits obligations as non-current

AASB101(69)

14. Irrespective of whether the employee benefit obligations are measured as short-term or long-term obligations, they can only be classified in the balance sheet as a non-current liability if there is no possibility the entity could have to pay out the obligation within the next 12 months. This means, for example, that where employees are entitled to take their long service leave or accrued annual leave within the next 12 months, the obligation relating to them must be recorded as a current liability even though the employees may not be expected to take the leave for an extended period.

Defined benefit obligations

AASB119(135)

15. There is an overriding objective in AASB 119 *Employee Benefits* that the disclosures for defined benefit plans must:
    (a) explain the characteristics of the plans and the associated risks
    (b) identify and explain the amounts in the financial statements arising from the plans
    (c) describe how the plans may affect the amount, timing and uncertainty of the entity's future cash flows.

AASB119(136)-(138)

16. Entities will need to consider on a case-by-case basis how detailed the disclosures will have to be to satisfy these objectives. Additional information or further disaggregation may be necessary in some circumstances. However, preparers should also keep in mind that materiality applies to all of the disclosures required under AASB 119.

Fair value measurements

17. Property assets are often unique and not traded on a regular basis. As a consequence, there is a lack of observable input data for identical assets. Fair value measurements of property assets will therefore often be categorised as 'level 2' or 'level 3' valuations. Whether it is appropriate to classify the fair value as a 'level 2' measurement will depend on the individual facts and circumstances. Examples of 'level 2' inputs include sales price per square metre for similar properties in a similar location in an active market, or property yields derived from the latest transactions in active markets for similar properties. Where significant adjustments to market based data are made, or where other significant inputs are unobservable, the valuation would be categorised as 'level 3'. If the assets are located in a less developed market, this would also be an indication for a 'level 3' classification. Assets classified as level 2 measurements based on recent sales may need to be reclassified in subsequent periods if there have been no more sales of comparable properties in the area.

AASB13(B35)(g)

Non-financial assets and liabilities

18. As a typical diversified manufacturing company, VALUE ACCOUNTS Holdings Limited only has a limited number of assets and liabilities that are measured at fair value. For alternative disclosures covering biological assets, please refer to Appendix F.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

19. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

Investment property

Reference	Issue not illustrated	Relevant disclosures or references
AASB140(75)(c)	Classification as investment property is difficult	Disclose criteria used to distinguish investment property from owner-occupied property and property held for sale in the ordinary course of business.
AASB140(77)	Adjustments made to valuations	Disclose reconciliation between valuation obtained and the adjusted valuation.
AASB140(75)(f)	Sale of investment property between pools of assets measured using different methods (AASB 140 paragraph 32C)	Disclose cumulative change in fair value recognised in profit or loss.
AASB117(56)(b)	Contingent rents recognised as income in the period	Disclose amounts where applicable.
AASB140(75)(b)	Operating leases classified as investment property	Explain circumstances of classification as investment property and whether the fair value model is applied.
AASB140(78)	Investment property cannot be reliably measured at fair value on a continuing basis	Disclose amounts separately and provide additional information about the property.
AASB140(79)	Entity has elected to use the cost model for measuring its investment property	Disclose additional information such as depreciation methods, useful lives etc.

Intangible assets

Reference	Issue not illustrated	Relevant disclosures or references
AASB138(122)(a)	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.
AASB138(122)(b)	Individually material intangible assets	Describe the assets and disclose the carrying amount and remaining amortisation period.
AASB138(122)(c)	Intangible assets acquired by way of government grant	Disclose the fair value initially recognised, the current carrying amount and whether the assets are measured at cost or at revaluation.
AASB138(122)(d)	Intangible assets with restricted title and/or pledged as security for liabilities	Disclose existence and carrying amounts.
AASB138(122)(e)	Contractual commitments for the acquisition of intangible assets	Disclose amount.
AASB138(124)	Intangible assets measured under the revaluation model	Provide additional disclosures as set out in AASB 138(124).

Non-financial assets and liabilities

Impairment and goodwill

Reference	Issue not illustrated	Relevant disclosures or references
AASB136(126)(b)-(d),(129)	Impairment losses recognised in OCI and reversals of impairment losses	Disclose impairment losses recognised in OCI (by segment where applicable). Disclose reversal of impairment losses (P&L and OCI; by segment where applicable).
AASB136(131)	Individual impairment losses or reversals are not material	Provide information about aggregate impairment losses and reversals.
AASB136(133)	Unallocated goodwill	Disclose the amount and the reasons why the goodwill remained unallocated (see below for example).
AASB136(134)	Intangible assets with indefinite useful lives – impairment disclosures	Provide similar disclosures to those illustrated for goodwill in this publication.
AASB136(134)(e)	Goodwill and intangible assets with indefinite useful lives: recoverable amount is based on fair value less costs of disposal (FVLCOD)	Provide additional information as set out in AASB 136(134). See below for illustration.
AASB136(135)	Goodwill and indefinite life intangible assets allocated to multiple CGUs, where the amount allocated to each CGU is not significant	Provide information about impairment testing based on the aggregate carrying amounts.

Other non-financial assets and liabilities

Reference	Issue not illustrated	Relevant disclosures or references
AASB102(36)(h)	Inventories	Disclose amount of inventories pledged as security for liabilities.
AASB102(Aus36.1)	Inventories held by not-for-profit entities	Disclose the information required in AASB 102 paragraph Aus36.1
AASB116(Aus77.1) AASB138(Aus124.1)	Property, plant and equipment and intangible assets held by not-for-profit entities and measured at revalued amounts	Not-for-profit entities do not need to disclose the carrying amount that would have been recognised had the assets been carried under the cost model
AASB119(140)(b)	Defined benefit plans: reimbursement rights	These will need to be separately disclosed in the reconciliation of the amounts recognised in the balance sheet.
AASB119(148),(149)	Multi-employer and group plans	Provide additional information as specified in AASB 119(148) and (149).
AASB137(92)	Provisions: information omitted because disclosure would be prejudicial	Disclose that fact, the general nature of the dispute and reasons why further information is not disclosed.
AASB13(93)(i)	Fair value of non-financial assets: highest and best use differs from current use	Disclose that fact and why the asset is used in a manner that differs from its highest and best use.
AASB2015-7	Not-for-profit entities that have measured assets at fair value which are primarily held for their current service potential rather than to generate future cash flows	These entities have been given relief from some of the disclosure requirements in AASB 13, see AASB 2015-7 for details. The relief is applicable from 1 July 2017 but can be adopted early.

Non-financial assets and liabilities

20. The following additional illustrative disclosures may be useful where relevant to an entity:

Intangible assets with indefinite useful lives

AASB138(122)(a) The trademark used to identify and distinguish (product name; carrying amount $2,345,000) has a remaining legal life of five years but is renewable every ten years at little cost and is well established. The group intends to renew the trademark continuously and evidence supports its ability to do so. An analysis of product life cycle studies and market and competitive trends provides evidence that the product will generate net cash inflows for the group for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with note 25(j).

Unallocated goodwill

AASB136(133) Shortly before the end of the reporting period, the company acquired XYZ Limited. There was $XX of goodwill recognised on acquisition which is yet to be allocated to one or more CGUs. XYZ's business will be integrated into the South America and North America CGUs, but management has not yet finalised the allocation of the goodwill between the relevant CGUs.

Recoverable amount is determined using fair value less cost of disposal

AASB136(134)(c) Management has determined the recoverable amount of the XYZ CGU by assessing the fair value less cost of disposal (FVLCOD) of the underlying assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. No impairment was identified.

Management's approach and the key assumptions used to determine the CGU's FVLCOD were as follows:

AASB136(134)(e)(i),(ii)

CGU	Unobservable inputs	Value assigned to key assumption 2017	2016	Approach to determining key assumption
XYZ	Cost of disposal ($'000)	**$250**	$320	Estimated based on the company's experience with disposal of assets and on industry benchmarks.
	Sales volume (%)	**2.7**	3.3	Average annual growth rate over the five-year forecast period, based on past performance and management's expectations of market development.
	Sales price (%)	**1.4**	1.9	Average annual growth rate over the five-year forecast period, based on current industry trends and includes long term inflation forecasts for each territory.
	Cost reductions from restructuring initiatives ($'000)	**$2,900**	$2,500	Estimated cost reductions are based on management's judgement and past experience with similar restructuring initiatives.
	Cash flow forecast period	**5 years**	5 years	Board approved/ reviewed 5 year forecasts which are prepared by management
	Post-tax discount rate (%)	**11.7**	11.4	Reflects specific risks relating to the segments and the countries in which it operates.
	Long term growth rate (%)	**2.7**	2.6	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is consistent with forecasts included in industry reports.

9 Equity [9]

AASB101(106)(d)

(a) Share capital [1]

		Notes	2017 Shares	2016 Shares	2017 $'000	2016 $'000
	Ordinary shares	(iii)				
AASB101(79)(a)(ii)	Fully paid		**63,016,156**	58,461,075	**83,054**	58,953
AASB101(79)(a)(ii)	Partly paid to $2.88		-	1,250,000	-	3,600
	Calls in arrears		-	-	-	(100)
		(i)	**63,016,156**	59,711,075	**83,054**	62,453
AASB101(79)(a)(ii)	7% non-redeemable participating preference shares fully paid	(ii)	-	500,000	-	1,523
	Total share capital		**63,016,156**	60,211,075	**83,054**	63,976

AASB101(106)(d)

(i) Movements in ordinary shares:

	Details	Notes	Number of shares (thousands)	Total $'000
AASB101(79)(a)(iv)	Opening balance 1 January 2016		59,468	61,096
	Employee share scheme issues	21	143	798
	Dividend reinvestment plan issues	(iv)	100	559
AASB101(79)(a)(iv)	Balance 31 December 2016		59,711	62,453
	Dividend reinvestment plan issues	(iv)	94	565
	Final call of $1.12 per share on 1,250,000 partly paid shares	(iii)	-	1,400
	Calls in arrears paid	(iii)	-	100
	Exercise of options - proceeds received	(v)	228	1,203
	Acquisition of subsidiary	14	1,698	9,765
	Rights issue	(vi)	1,285	7,708
			63,016	83,194
AASB132(35),(39)	Less: Transaction costs arising on share issues		-	(200)
AASB112(81)(a)	Deferred tax credit recognised directly in equity		-	60
AASB101(79)(a)(iv)	Balance 31 December 2017		63,016	83,054

Not mandatory

The purpose of the rights issue and the call on partly paid shares was to repay borrowings which had been drawn to finance the establishment of the furniture retail division, expand the Springfield manufacturing facilities, and acquire shares in VALUE IFRS Electronics Group. Funds raised from the other share issues were used for general working capital purposes.

AASB101(106)(d)

(a) Share capital

AASB101(106)(d)

(ii) Movements in 7% non-redeemable participating preference share capital:

		Notes	Number of shares (thousands)	Total $'000
	Details			
AASB101(79)(a)(iv)	Opening balance 1 January 2016/ 31 December 2016		500	1,523
	Shares bought back on-market and cancelled	(vii)	(500)	(1,350)
	Buy-back transaction costs	(vii)	-	(45)
AASB112(81)(a)	Current tax credit recognised directly in equity	(vii)	-	15
	Transfer to retained earnings	(vii)	-	(143)
AASB101(79)(a)(iv)	Balance 31 December 2017		-	-

(iii) Ordinary shares

AASB101(79)(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. These rights are subject to the prior entitlements of the 6% redeemable preference shares, which are classified as liabilities (refer to note 7(g)).

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 upon a poll each share is entitled to one vote.

AASB101(79)(a)(i),(iii)

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

AASB101(79)(a)(ii)

At 31 December 2016 there were 1,250,000 ordinary shares called to $2.88, on which a further $1.12 was outstanding. The outstanding amount, together with calls in arrears of $100,000, was received on 3 November 2017.

(iv) Dividend reinvestment plan

AASB101(79)(a)(vii)

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 2.5% discount to the market price.

(v) Options

AASB101(79)(a)(vii)

Information relating to the VALUE IFRS Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 21.

(vi) Rights issue

AASB101(106)(d)(iii), (112)(c)

On 10 October 2017 the company invited its shareholders to subscribe to a rights issue of 1,284,916 ordinary shares at an issue price of $6.00 per share on the basis of 1 share for every 10 fully or partly paid ordinary shares held, with such shares to be issued on, and rank for dividends after, 4 December 2017. The issue was fully subscribed.

(vii) Share buy-back

AASB101(106)(d)(iii)

During October/November 2017 the company purchased and cancelled all 500,000 7% non-redeemable participating preference shares on-market in order to simplify the company's capital structure. The buy-back and cancellation were approved by shareholders at last year's annual general meeting. The shares were acquired at an average price of $2.70 per share, with prices ranging from $2.65 to $2.73. The total cost of $1,380,000, including $30,000 of after tax transaction costs, was deducted from preference shareholder equity. As all the shares of that class were bought back and cancelled, the remaining balance of $143,000 was transferred to retained earnings. The total reduction in paid up capital was $1,523,000.

ASX(4.10.18)
Listed entities only

There is no current on-market buy-back.

AASB7(7)
AASB101(79)(a)(v)

The 7% non-redeemable participating preference shares were entitled to dividends at the rate of 7% per annum when sufficient profits were available, but were non-cumulative. They would have participated equally with ordinary shares on winding up of the company.

AASB101(106)(d)

(b) Other equity

		Notes	2017 Shares	2016 Shares	2017 $'000	2016 $'000
AASB132(28)	Value of conversion rights – convertible notes	(i)			**3,500**	-
AASB112(81)(a)	Deferred tax liability component				**(1,050)**	-
AASB101(79)(a)(vi) AASB132(34)	Treasury shares [2]	(ii)	**(120,641)**	(99,280)	**(676)**	(550)
					1,774	(550)

(i) Conversion right of convertible notes

AASB101(79)(a)(v)

The amount shown for other equity securities is the value of the conversion rights relating to the 7% convertible notes, details of which are shown in note 7(g).

(ii) Treasury shares [2]

AASB101(79)(a)(vi)

Treasury shares are shares in VALUE ACCOUNTS Holdings Limited that are held by the VALUE IFRS Employee Share Trust for the purpose of issuing shares under the VALUE IFRS Employee share scheme and the executive short-term incentive (STI) scheme (see note 21 for further information). Shares issued to employees are recognised on a first-in-first-out basis.

	Details	**Number of shares**	**$'000**
AASB101(79)(a)(iv)	Opening balance 1 January 2016	(46,916)	(251)
ASX(4.10.22)	Acquisition of shares by the Trust (average price: $5.71 per share)	(52,364)	(299)
	Balance 31 December 2016	(99,280)	(550)
ASX(4.10.22)	Acquisition of shares by the Trust (average price: $5.86 per share)	**(207,636)**	**(1,217)**
	Issue of deferred shares under the executive STI scheme	**40,373**	**216**
	Employee share scheme issue	**145,902**	**875**
AASB101(79)(a)(iv)	Balance 31 December 2017	**(120,641)**	**(676)**

AASB101(106)(d)

(c) Other reserves 3-5

AASB101(106A)

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

Reference		Notes	Revaluation surplus $'000	AfS financial assets $'000	Cash flow hedges $'000	Share-based payments $'000	Transactions with NCI $'000	Foreign currency translation $'000	Total other reserves $'000
AASB116(77)(f) AASB121(52)(b)									
	At 1 January 2016		**3,220**	**1,173**	**(287)**	**1,289**	**-**	**1,916**	**7,311**
AASB116(77)(f) AASB7(20)(a)(ii)	Revaluation – gross	8(a),7(c) 12(a)	5,840	(1,378)	70	-	-	-	4,532
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	(1,752)	413	(21)	-	-	-	(1,360)
AASB116(77)(f)	NCI share in revaluation – gross		(178)	-	-	-	-	-	(178)
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	54	-	-	-	-	-	54
AASB116(41)	Depreciation transfer – gross	9(d)	(334)	-	-	-	-	-	(334)
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	100	-	-	-	-	-	100
AASB128(10)	Revaluation associate	16(e)	100	-	-	-	-	-	100
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	(30)	-	-	-	-	-	(30)
AASB101(92),(95) AASB7(23)(d)	Reclassification to profit or loss – gross	12(a) 7(c)	-	548	(195)	-	-	-	353
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	-	(164)	58	-	-	-	(106)
AASB7(23)(e)	Transfer to inventory – gross	12(a)	-	-	642	-	-	-	642
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	-	-	(193)	-	-	-	(193)
AASB128(10)	Currency translation associate	16(e)	-	-	-	-	-	15	15
AASB112(81)(ab), AASB101(90)	Deferred tax		-	-	-	-	-	(5)	(5)
AASB121(52)(b)	Other currency translation differences		-	-	-	-	-	243	243
	NCI share in translation differences		-	-	-	-	-	(133)	(133)
	Other comprehensive income		3,800	(581)	361	-	-	120	3,700
	Transactions with owners in their capacity as owners								
	Share-based payment expenses	21	-	-	-	555	-	-	555
	At 31 December 2016		**7,020**	**592**	**74**	**1,844**	**-**	**2,036**	**11,566**

AASB101(106)(d)

(c) Other reserves

Reference		Notes	Revaluation surplus $'000	AfS financial assets $'000	Cash flow hedges $'000	Share-based payments $'000	Transactions with NCI $'000	Foreign currency translation $'000	Total other reserves $'000
AASB116(77)(f) AASB121(52)(b)									
	At 31 December 2016		**7,020**	**592**	**74**	**1,844**	**-**	**2,036**	**11,566**
AASB116(77)(f) AASB7(20)(a)(ii)	Revaluation – gross	8(a),7(c) 12(a)	7,243	880	(420)	-	-	-	7,703
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	(2,173)	(264)	126	-	-	-	(2,311)
AASB116(77)(f)	NCI share in revaluation – gross		(211)	-	-	-	-	-	(211)
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	63	-	-	-	-	-	63
AASB116(41)	Depreciation transfer – gross	9(d)	(320)	-	-	-	-	-	(320)
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	96	-	-	-	-	-	96
AASB128(10)	Revaluation joint venture	16(e)	300	-	-	-	-	-	300
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	(90)	-	-	-	-	-	(90)
AASB101(92),(95) AASB7(23)(d)	Reclassification to profit or loss – gross	12(a) 7(c)	-	(646)	(155)	-	-	-	(801)
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	-	194	47	-	-	-	241
AASB7(23)(e)	Transfer to inventory – gross	12(a)	-	-	188	-	-	-	188
AASB112(81)(ab), AASB101(90)	Deferred tax	8(d)	-	-	(56)	-	-	-	(56)
AASB128(10)	Currency translation associate	16(e)	-	-	-	-	-	20	20
AASB112(81)(ab), AASB101(90)	Deferred tax		-	-	-	-	-	(6)	(6)
AASB121(52)(b)	Other currency translation differences		-	-	-	-	-	(617)	(617)
AASB101(92),(95) AASB121(52)(b)	Reclassification to profit or loss on disposal of discontinued operation	15	-	-	-	-	-	170	170
AASB121(52)(b)	Net investment hedge		-	-	-	-	-	190	190
	NCI share in translation differences		-	-	-	-	-	247	247
	Other comprehensive income		4,908	164	(270)	-	-	4	4,806
	Transactions with owners in their capacity as owners								
	Share-based payment expenses	21	-	-	-	2,018	-	-	2,018
	Issue of treasury shares to employees	9(b)	-	-	-	(1,091)	-	-	(1,091)
AASB10(23)	Transactions with NCI	16(d)	-	-	-	-	(333)	-	(333)
	At 31 December 2017		**11,928**	**756**	**(196)**	**2,771**	**(333)**	**2,040**	**16,966**

AASB101(79)(b)

(i) Nature and purpose of other reserves [6,7]

Revaluation surplus – property, plant and equipment

AASB116(77)(f)

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 25(r) for details.

Available-for-sale financial assets

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets (eg equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy note 25(o) for details.

AASB101(106)(d)

(c) Other reserves

Cash flow hedges

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income, as described in note 25(p). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Share-based payments [8]

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested
- the issue of shares held by the VALUE IFRS Employee Share Trust to employees.

Transactions with non-controlling interests

This reserve is used to record the differences described in note 25(b)(v) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Foreign currency translation

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.

(d) Retained earnings

AASB101(106)(d)

Movements in retained earnings were as follows:

	Notes	2017 $'000	2016 Restated * $'000
Balance 1 January		**36,561**	21,298
Net profit for the period		**34,286**	26,695
AASB101(106)(d)(ii) Items of other comprehensive income recognised directly in retained earnings			
Remeasurements of post-employment benefit obligations, net of tax	8(g)	**83**	(637)
Dividends	13(b)	**(22,837)**	(11,029)
Transfer from share capital on buy-back of preference shares	9(a)	**143**	-
Depreciation transfer, net of tax	9(c)	**224**	234
Balance 31 December		**48,460**	36,561

* The amounts disclosed are after the restatement for the correction of the error disclosed in note 11(b).

Equity

Share premium

AASB101(79)(a)

1. AASB 101 requires disclosure of the par value of shares (if any), but does not prescribe a particular form of presentation for the share premium. VALUE ACCOUNTS Holdings Limited is disclosing the share premium in notes. However, local company laws may have specific rules. For example, they may require separate presentation in the balance sheet.

Treasury shares

AASB132(33)

2. AASB 132 states that treasury shares must be deduced from equity and that no gain or loss shall be recognised on the purchase, sale, issue or cancellation of such shares. However, the standard does not specify where in equity the treasury shares should be presented. VALUE ACCOUNTS Holdings Limited has elected to present the shares in 'other equity', but they may also be disclosed as a separate line item in the balance sheet, deducted from retained earnings or presented in a specific reserve. Depending on local company law, the company may have the right to resell the treasury shares.

Equity

CA259A-CA259D AASB132(34) AASB101(79)(a)(vi) Entities that comply with the *Corporations Act 2001* are restricted in their ability to reacquire their own equity instruments and generally have to cancel any shares that were re-acquired, eg as the result of a buy-back. However, where shares were acquired by an employee share trust that is consolidated, the shares are not cancelled, but must be separately presented either in the balance sheet or in the notes as a deduction from equity.

Other reserves

AASB101(106)(d) 3. An entity shall present, either in the statement of changes in equity or in the notes, for each accumulated balance of each class of other comprehensive income a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each item of other comprehensive income and transactions with owners. See also commentary paragraphs 2 and 3 to the statement of changes in equity.

AASB101(92),(94) 4. Reclassification adjustments relating to components of other comprehensive income must also be disclosed, either in the statement of comprehensive income or in the notes. VALUE ACCOUNTS Holdings Limited has elected to make both disclosures in the notes.

AASB101(7),(95) 5. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation, on derecognition or impairment of an available-for-sale financial asset and when a hedged forecast transaction affects profit or loss.

Nature and purpose

AASB101(79)(b) 6. A description of the nature and purpose of each reserve within equity must be provided either in the balance sheet or in the notes. This applies to each reserve, including general reserves, capital profits reserves and any others in existence.

7. In providing a description of the nature and purpose of the reserves it would be appropriate to refer to any restrictions on their distribution or any other important characteristics. In the case of:

AASB116(77)(f) (a) the property, plant and equipment revaluation surplus: there is a specific requirement to disclose any restrictions on the distribution of the balance to shareholders

AASB138(124)(b) (b) the amount of the revaluation surplus that relates to intangible assets; there is a specific requirement to disclose the balance at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

Transfer from share-based payments reserve to share capital on exercise of options

8. The accounting standards do not distinguish between different components of equity. Although AASB 2 *Share-based Payment* permits to transfer an amount from one component of equity to another upon the exercise of options, there is no requirement to do so. VALUE ACCOUNTS Holdings Limited has established a share-based payments reserve but does not transfer any amounts from this reserve upon the exercise or lapse of options. However, the credit could also be recognised directly in retained earnings or share capital. The treatment adopted may depend on the tax and company laws applicable in the relevant jurisdictions. Entities with significant share-based payment transactions should explain their policy.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

9. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosures or references
AASB101(80)	Entities without share capital	Disclose information equivalent to that required by paragraph 79(a) of AASB 101
AASB101(136A),(80A)	Puttable financial instruments	Various disclosures, see AASB 101 (136A) and (80A) for details.
AASB101(138)(d)	Limited life entities	Disclose length of the entity's life
AASB-I19(11)	Entity has issued equity instruments to extinguish financial liabilities	Disclose any gain or loss recognised as separate line item in profit or loss or in the notes

10 Cash flow information [8]

AASB1054(16)

(a) Reconciliation of profit after income tax to net cash inflow from operating activities [1]

	Note	2017 $'000	2016 $'000
Profit for the period		**37,291**	29,014
Adjustments for			
Depreciation and amortisation	5(c)	**10,985**	8,880
Impairment of goodwill	4	**2,410**	-
Write off of assets destroyed by fire	4	**1,210**	-
Non-cash employee benefits expense-share based payments		**2,156**	1,353
Non-cash post-employment benefit expense		**(15)**	(135)
Net (gain) loss on sale of non-current assets		**(1,620)**	530
Gain on disposal of engineering division	15	**(760)**	-
Fair value adjustment to investment property	8(b)	**(1,350)**	(1,397)
Fair value adjustment to derivatives		**(400)**	(543)
Net (gain)/loss on sale of available-for-sale financial assets	7(c)	**(646)**	548
Fair value (gains)/losses on financial assets at fair value through profit or loss	7(d)	**(835)**	690
Share of profits of associates and joint ventures	16(e)	**(340)**	(355)
Gain on derecognition of contingent consideration payable	14	**(135)**	-
Gain on remeasurement of contingent consideration receivable	15	**(130)**	-
Gain on repurchase of debentures	7(g)	**(355)**	-
Dividend income and interest classified as investing cash flows	5(a),(d)	**(3,554)**	(4,549)
Accrued interest on convertible notes	8(g)	**842**	-
Net exchange differences		**604**	479
Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of engineering division:			
(Increase) in trade debtors and bills of exchange		**(5,383)**	(5,382)
(Increase) in inventories		**(1,108)**	(1,529)
Decrease/(increase) in financial assets at fair value through profit or loss		**465**	(1,235)
Decrease/(increase) in deferred tax assets		**48**	(937)
(Increase)/decrease in other operating assets		**(269)**	4,822
Increase in trade creditors		**2,233**	385
Increase/(decrease) in other operating liabilities		**6**	2,311
Increase in income taxes payable		**592**	145
Increase in deferred tax liabilities		**114**	523
Increase in other provisions		**1,498**	649
Net cash inflow (outflow) from operating activities		**43,554**	34,267

(b) Non-cash investing and financing activities [2,3]

AASB107(43)

	2017 $'000	2016 $'000
Acquisition of plant and equipment by means of finance leases (note 7(g))	-	3,000
Acquisition of retail store furniture and fittings from lessor as lease incentive (note 18)	-	950

Deferred settlement of part proceeds of the sale of the engineering division is disclosed in note 15, dividends satisfied by the issue of shares under the dividend reinvestment plan are shown in note 13(b) and options and shares issued to employees under the VALUE IFRS Employee Option Plan and employee share scheme for no cash consideration are shown in note 21.

New requirement

(c) Net debt reconciliation [4-7]

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2017 $'000	2016 $'000
Cash and cash equivalents	**57,098**	31,268
Liquid investments (i)	**11,300**	10,915
Borrowings – repayable within one year (including overdraft)	**(8,980)**	(8,555)
Borrowings – repayable after one year	**(91,464)**	(79,525)
Net debt	**(32,046)**	(45,897)
Cash and liquid investments	**68,398**	42,183
Gross debt – fixed interest rates	**(43,689)**	(22,150)
Gross debt – variable interest rates	**(56,755)**	(65,930)
Net debt	**(32,046)**	(45,897)

AASB2016-2
see: AASB107R(44A)-44E)

Comparatives not mandatory in first year

	Other assets [5]		Liabilities from financing activities				
	Cash/ bank overdraft $'000	Liquid invest-ments (i) $'000	Finance leases due within 1 year $'000	Finance leases due after 1 year $'000	Borrow. due within 1 year $'000	Borrow. due after 1 year $'000	Total $'000
Net debt as at 1 January 2016	21,573	10,370	-	-	(4,249)	(76,250)	(48,556)
Cash flows	7,229	1,235	-	-	(1,496)	535	7,503
Acquisitions – finance leases and lease incentives	-	-	(755)	(3,195)	-	-	(3,950)
Foreign exchange adjustments	216	-	-	-	-	(420)	(204)
Other non-cash movements	-	(690)	-	-	-	-	(690)
Net debt as at 31 December 2016	29,018	10,915	(755)	(3,195)	(5,745)	(76,135)	(45,897)
Cash flows	25,678	(465)	805	-	(5)	(12,564)	13,449
Foreign exchange adjustments	(248)	15	-	-	-	(31)	(264)
Other non-cash movements	-	835	(805)	556	-	80	666
Net debt as at 31 December 2017	54,448	11,300	(755)	(2,639)	(5,750)	(88,650)	(32,046)

(i) Liquid investments comprise current investments that are traded in an active market, being the group's financial assets held at fair value through profit or loss.

Cash flow information

Reconciliation to cash generated from operations

AASB1054(16)

1. Entities that use the indirect method for their statement of cash flows will not need to disclose a reconciliation in their notes, if the reconciliation from profit to cash generated from operations is shown in the cash flow statement. See Appendix E for an example of cash flow statement prepared using the indirect method. However, in that example the detailed reconciliation is also disclosed in the notes.

Non-cash investing and financing activities – information to be disclosed

AASB107(43)

2. Investing and financing transactions that do not require the use of cash or cash equivalents shall be disclosed in a way that provides all the relevant information about the investing and financing activities.

AASB107(44)

3. Other examples of transactions or events that would require disclosure under paragraph 43 of AASB 107 include the following:
   (a) acquisitions of assets by assuming directly related liabilities, such as purchase of a building by incurring a mortgage to the seller
   (b) acquisitions of entities by means of an equity issue
   (c) conversion of debt to equity.

Net debt reconciliation – new disclosure requirement for 2017

AASB2016-2 see:AASB107R(44A)

4. From 1 January 2017, entities will be required to explain changes in their liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. However, the disclosure in note 10(c) goes beyond what is required under AASB 107, by also including those assets that the group considers to be part of its net debt.

AASB2016-2 see:AASB107R(44E)

5. While the IASB acknowledged that the inclusion of cash and cash equivalent balances may be useful where an entity manages debt on a net basis, the board did not want to delay the project by discussing how net debt should be defined and what should, or should not be included. As a consequence, the mandatory requirement only covers balance sheet items for which cash flows are classified as financing activities. Where entities do include other items within the reconciliation, they shall identify separately the changes in liabilities arising from financing activities.

AASB2016-2 see:AASB107R(44D),(BC19)

6. AASB 107 is also flexible in terms of how the information required by new paragraph 44A is presented. Specifically, entities do not need to provide a reconciliation from opening to closing balances but could provide the information in other ways.

AASB2016-2 see:AASB107R(60)

7. In the first year of adoption, entities will not need to provide any comparative information. However, as VALUE ACCOUNTS Holdings Limited already disclosed a net debt reconciliation in previous years, it has retained the disclosures for the comparative period.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

AASB107(Aus20.2)

8. Not-for-profit entities that highlight the net cost of services in their statement of comprehensive income must disclose a reconciliation of cash flows arising from operating activities to net cost of services as reported in the statement of comprehensive income.

Risk

Not mandatory

This section of the notes discusses the group's exposure to various risks and shows how these could affect the group's financial position and performance.

11 Critical estimates, judgements and errors

AASB101(122),(125) 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 notes 1 to 10 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Significant estimates and judgements [1-6]

The areas involving significant estimates or judgements are:

- Estimation of current tax payable and current tax expense – note 6(b)
- Estimated fair value of certain available-for-sale financial assets – note 7(c)
- Estimation of fair values of land and buildings and investment property – notes 8(a) and 8(b)
- Estimated goodwill impairment – note 8(c)
- Estimated useful life of intangible asset – note 8(c)
- Estimation of defined benefit pension obligation – note 8(g)
- Estimation of provision for warranty claims – note 8(h)
- Estimation of fair values of contingent liabilities and contingent purchase consideration in a business combination – note 14
- Recognition of revenue – note 3
- Recognition of deferred tax asset for carried forward tax losses – note 8(d)
- Impairment of available-for-sale financial assets – note 7(c)
- Consolidation decisions and classification of joint arrangements – note 16.

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) Correction of error in accounting for leasing contract

AASB108(49)(a) In September 2017, a subsidiary undertook a detailed review of its leasing contracts and discovered that the terms and conditions of a contract for the lease of equipment had been misinterpreted. As a consequence, the equipment had been incorrectly accounted for as a finance lease rather than as an operating lease.

AASB108(49)(b)(i),(c) The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Balance sheet (extract)	**31 December 2016 $'000**	**Increase/ (Decrease) $'000**	**31 December 2016 (Restated) $'000**	**31 December 2015 $'000**	**Increase/ (Decrease) $'000**	**1 January 2016 (Restated) $'000**
Property, plant and equipment	106,380	(1,300)	105,080	94,495	(1,350)	93,145
Deferred tax asset	5,087	(108)	4,979	3,766	(85)	3,681
Non-current borrowings	(80,814)	1,289	(79,525)	(77,580)	1,330	(76,250)
Current borrowings	(8,793)	238	(8,555)	(8,104)	235	(7,869)
Net assets	**117,123**	**119**	**117,242**	**95,837**	**80**	**95,917**
Retained earnings	(36,442)	(119)	(36,561)	(21,218)	(80)	(21,298)
Total equity	**(117,123)**	**(119)**	**(117,242)**	**(95,837)**	**(80)**	**(95,917)**

(b) Correction of error in accounting for leasing contract

	2016 $'000	Profit Increase/ (Decrease) $'000	2016 (Restated) $'000
Statement of profit or loss (extract)			
Cost of sales of goods	(47,555)	(25)	(47,580)
Finance costs	(6,196)	76	(6,272)
Profit before income tax	**40,388**	**51**	**40,439**
Income tax expense	(11,812)	(12)	(11,824)
Profit from discontinued operation	399	-	399
Profit for the period	**28,975**	**39**	**29,014**
Profit is attributable to:			
Owners of VALUE ACCOUNTS Holdings Limited	26,656	39	26,695
Non-controlling interests	2,319	-	2,319
	28,975	**39**	**29,014**
Statement of comprehensive income (extract)			
Profit for the period	28,975	39	29,014
Other comprehensive income for the period	3,554	-	3,554
Total comprehensive income for the period	**32,529**	**39**	**32,568**
Total comprehensive income is attributable to:			
Owners of VALUE ACCOUNTS Holdings Limited	29,953	39	29,992
Non-controlling interests	2,576	-	2,576
	32,529	39	**32,568**

AASB108(49)(b)(ii)

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was an increase of $0.1 cents per share.

The correction further affected some of the amounts disclosed in note 5(b) and note 18. Depreciation expense for the prior year was reduced by $250,000 and rental expense relating to operating leases increased by $275,000.

(c) Revision of useful lives of plant and equipment

AASB108(39)
AASB116(76)

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 31 December	**$'000**
2018	740
2019	610
2020	460
2021	430

Critical estimates, judgements and errors

Disclosure not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

Sources of estimation uncertainty

1. Another example of a critical accounting estimate that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities, but that is not relevant to VALUE ACCOUNTS Holdings Limited, or is not expected to have a significant impact in this instance, is:

   Revenue recognition

   The group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver design services. Use of the percentage-of-completion method requires the group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from management's estimates, the amount of revenue recognised in the year would be increased by $175,000 if the proportion performed was increased, or would be decreased by $160,000 if the proportion performed was decreased.

AASB-I14(10)

2. The recognition of a net defined benefit asset may also warrant additional disclosures. For example, the entity should explain any restrictions on the current realisability of the surplus and the basis used to determine the amount of the economic benefits available.

Significant judgements

AASB101(123)

3. Examples of significant judgements that may require disclosures are judgements made in determining:
   (a) whether financial assets are held-to-maturity investments
   (b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities
   (c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue
   (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.

AASB101(123)

4. An illustrative disclosure for one of these judgements could read as follows (not disclosed by VALUE ACCOUNTS Holdings Limited due to materiality):

   Held-to-maturity investments

   The group follows the AASB 139 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the group evaluates its intention and ability to hold such investments to maturity.

   If the group fails to keep these investments to maturity other than for specific circumstances explained in AASB 139, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

   If the class of held-to-maturity investments is tainted, the fair value would increase by $2,300,000 with a corresponding entry in the fair value reserve in shareholders' equity. Furthermore, the entity would not be able to classify any financial assets as held-to-maturity for the following two annual reporting periods.

Change of accounting estimate in final interim period

AASB134(26)

5. If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the annual reporting period but separate financial statements are not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that annual reporting period.

Critical estimates, judgements and errors

Brexit

6. Entities with operations in the UK or Europe should also consider whether the pending exit of the UK from the European Union (Brexit) could affect any estimations or judgements made in the preparation of the financial statements. For example, various tax reliefs and exemptions that are currently available for transactions between UK entities and entities in other EU member states may cease to apply. This can create estimation uncertainty for the entity's deferred tax balances. While it may not be possible to make any meaningful estimates during the negotiation process, entities should identify balances that are likely to be impacted and explain the uncertainties and potential exposures.

12 Financial risk management [1,2]

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

AASB7(31),(32),(33)

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Australian dollar	Cash flow forecasting Sensitivity analysis	Forward foreign exchange and foreign currency option contracts
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk – security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversion
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, available-for-sale debt instruments and held-to-maturity investments	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit Investment guidelines for available-for-sale and held-to-maturity investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The group's risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Derivatives [3,4]

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes below. The group has the following derivative financial instruments:

		2017 $'000	2016 $'000
	Current assets		
AASB101(77) AASB7(22)(a),(b)	Interest rate swap contracts – cash flow hedges ((b)(ii))	**145**	97
AASB101(77) AASB7(22)(a),(b)	Foreign currency option contracts – held for trading ((b)(i))	**1,709**	1,320
	Total current derivative financial instrument assets	**1,854**	1,417
	Non-current assets		
AASB101(77) AASB7(22)(a),(b)	Interest rate swap contracts – cash flow hedges ((b)(ii))	**308**	712
	Total non-current derivative financial instrument assets	**308**	712
	Current liabilities		
	Forward foreign exchange contracts – held for trading ((b)(i))	**610**	621
AASB101(77) AASB7(22)(a),(b)	Forward foreign exchange contracts – cash flow hedges ((b)(i))	**766**	777
	Total current derivative financial instrument liabilities	**1,376**	1,398

(a) Derivatives

AASB101(117)

(i) Classification of derivatives

AASB101(66),(68)
AASB139(9),(46),(47)

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

AASB139(98)(b)

The group's accounting policy for its cash flow hedges is set out in note 25(p). For hedged forecast transactions that result in the recognition of a non-financial asset, the group has elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 7(h).

AASB7(33)

(b) Market risk

(i) Foreign exchange risk [5,6]

AASB7(33)(b),(22)(c)

The group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US$. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable US$ expenditures. The objective of the hedges is to minimise the volatility of the Australian dollar cost of highly probable forecast inventory purchases.

AASB7(22)(c)
AASB7(23)(a)

The group treasury's risk management policy is to hedge between 75% and 100% of forecasted foreign currency cash flows up to one quarter in advance (mainly inventory purchases in US$), subject to a review of the cost of implementing each hedge. For the year ended 31 December 2017, approximately 80% of inventory purchases were hedged in respect of foreign currency risk. At 31 December 2017, 90% of forecasted US$ inventory purchases during the first quarter of 2018 qualified as 'highly probable' forecast transactions for hedge accounting purposes.

The US dollar denominated bank loans are expected to be repaid with receipts from US dollar denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

Instruments used by the group

AASB7(22)

The European operations use materials purchased from the United States. The group uses a combination of foreign currency option contracts and foreign exchange forward contracts to hedge its exposure to foreign currency risk. Only the spot component of forward contracts is designated as hedging instrument. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is the forward element, which is recognised in the statement of profit or loss.

AASB7(7)

The group also entered into forward exchange contracts in relation to projected purchases for the next 12 months that do not qualify as 'highly probable' forecast transactions and hence do not satisfy the requirements for hedge accounting (economic hedges). These foreign currency forward contracts are accounted for as held for trading with gains (losses) recognised in profit or loss. No hedge accounting is applied on the foreign currency option contracts as the time value fair value movement results in an ineffective hedge relationship. The foreign currency forward and option contracts are subject to the same risk management policies as all other derivative contracts.

Hedge of net investment in foreign entity

AASB7(22),(24)(c)

In 2017, the parent entity has entered into a bank loan amounting to $1,699,000 which is denominated in Chinese renminbi (RMB) and which was taken out to fund an additional equity investment in the Chinese subsidiary. The forward rate of the loan has been designated as a hedge of the net investment in this subsidiary. The fair value and carrying amount of the borrowing at 31 December 2017 was $1,509,000 (31 December 2016 – nil). The foreign exchange gain of $190,000 (2016 – nil) on translation of the borrowing to Australian dollar at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve, in shareholders' equity (note 9(c)). There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

(b) Market risk

Exposure

AASB7(31),(34)(c) The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	31 December 2017			31 December 2016		
	USD $'000	**EUR $'000**	**RMB $'000**	USD $'000	EUR $'000	RMB $'000
Trade receivables	**5,150**	**2,025**	**-**	4,130	945	
Bank loans	**(18,765)**	**-**	**(1,509)**	(8,250)	-	-
Trade payables	**(4,250)**	**-**	**-**	(5,130)	-	-
Forward exchange contracts						
buy foreign currency (cash flow hedges)	**11,519**	**-**	**-**	10,613	-	-
buy foreign currency (held for trading)	**12,073**	**-**	**-**	11,422	-	-
Foreign currency option contracts	**10,000**	**-**	**-**	8,000		

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

		2017 $'000	2016 $'000
	Amounts recognised in profit or loss		
AASB121(52)(a)	Net foreign exchange gain/(loss) included in other income/other expenses	**518**	(259)
AASB123(6)(e)	Exchange losses on foreign currency borrowing included in finance costs	**(1,122)**	(810)
AASB121(52)(a)	Total net foreign exchange (losses) recognised in profit before income tax for the period	**(604)**	(1,069)
AASB7(20)(a)(i)	Net gain/(loss) on foreign currency derivatives not qualifying as hedges included in other income/other expense	**400**	543
AASB7(24)(b)	Net (loss) for ineffective portion of derivatives designated as cash flow hedges and in relation to the forward element of foreign currency forward contracts	**(36)**	(75)
AASB121(52)(b)	*Net gains (losses) recognised in other comprehensive income (note 9(c))*		
	Cash flow hedges	**(218)**	(935)
	Translation of foreign operations and net investment hedges	**(427)**	243
AASB7(23)(d),(e)	*Loss/(gain) reclassified from other comprehensive income*		
	- included in acquisition cost of components (note 9(c))	**(188)**	(642)
	- included in gain on disposal of discontinued operation (note 15)	**170**	-

(b) Market risk

Sensitivity

AASB7(40)(a),(b),(c) As shown in the table above, the group is primarily exposed to changes in US/$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

	Impact on post tax profit		Impact on other components of equity	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
US/$ exchange rate – increase 9% (10%) *	**(1,494)**	(1,004)	**(806)**	(743)
US/$ exchange rate – decrease 9% (10%) *	**1,223**	822	**660**	608

* Holding all other variables constant

Profit is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2017 than 2016 because of the increased amount of US dollar denominated borrowings. Equity is more sensitive to movements in the Australian dollar /US dollar exchange rates in 2017 than 2016 because of the increased amount of forward foreign exchange contracts. The group's exposure to other foreign exchange movements is not material.

(ii) Cash flow and fair value interest rate risk [7]

AASB7(33)(a),(b) 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. Group policy is to maintain at least 50% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2017 and 2016, the group's borrowings at variable rate were mainly denominated in Australian dollar and US Dollars.

AASB7(Appendix-A) The group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

AASB7(22) The group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Generally, the group raises 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.

AASB7(34)(a) The exposure of the group's borrowing to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2017 $'000	**% of total loans**	2016 $'000	% of total loans
Variable rate borrowings	**43,689**	**44%**	40,150	46%
Other borrowings – repricing dates:				
6 months or less	**4,500**	**4%**	3,050	3%
6 – 12 months	**12,640**	**13%**	14,100	16%
1 – 5 years	**28,615**	**28%**	19,780	23%
Over 5 years	**11,000**	**11%**	11,000	12%
	100,444	**100%**	88,080	100%

An analysis by maturities is provided in note 12(d) below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

(b) Market risk

Instruments used by the group

AASB7(22) Swaps currently in place cover approximately 11% (2016 – 8%) of the variable loan principal outstanding. The fixed interest rates of the swaps used to hedge range between 7.8% and 8.3% (2016 – 9.0% and 9.6%) and the variable rates of the loans are between 0.5% and 1.0% above the 90 day bank bill rate which at the end of the reporting period was 8.2% (2016 – 9.4%).

AASB7(23)(a) The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

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 in relation to interest rate swaps.

		2017 $'000	2016 $'000
AASB7(23)(d),(24)(b)			
AASB7(23)(c)	(Loss)/gain recognised in other comprehensive income (see note 9(c))	**(202)**	1,005
AASB7(23)(d),(e)	Gains reclassified from other comprehensive income - to profit or loss (finance costs; see notes 5(d) and 9(c))	**(155)**	(195)

Sensitivity

AASB7(40)(a) Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings and the fair value of available-for-sale debt instruments.

	Impact on post tax profit		Impact on other components of equity	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Interest rates – increase by 70 basis points (60 bps) *	**138**	(18)	**(90)**	(16)
Interest rates – decrease by 100 basis points (80 bps) *	**(127)**	96	**129**	22

* Holding all other variables constant

(b) Market risk

(iii) Price risk

Exposure

AASB7(33)(a) The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet either as available-for-sale (note 7(c)) or at fair value through profit or loss (note 7(d)).

AASB7(33)(b) To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The majority of the group's equity investments are publicly traded and are included either in the Australian Stock Exchange 200 Index or the NYSE International 100 Index.

Sensitivity

AASB7(40)(a),(b) The table below summarises the impact of increases/decreases of these two indexes on the group's equity and post-tax profit for the period. The analysis is based on the assumption that the equity indexes had increased by 9% and 7% respectively or decreased by 6% and 5% with all other variables held constant, and that all the group's equity instruments moved in line with the indexes.

	Impact on post tax profit		**Impact on other components of equity**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Australian Stock Exchange 200 – increase 9% (2016 – 7.5%)	**385**	361	**284**	266
NYSE International 100 – increase 7% (2016 – 6.5%)	**254**	184	**-**	-
Australian Stock Exchange 200 – decrease 6% (2016 – 4%)	**(257)**	(193)	**(189)**	(177)
NYSE International 100 – decrease 5% (2016 – 3.5%)	**(182)**	(99)	**-**	-

Post-tax profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale. As the fair value of the available-for-sale financial assets would still be above cost, no impairment loss would be recognised in profit or loss as a result of the decrease in the index.

Amounts recognised in profit or loss and other comprehensive income

The amounts recognised in profit or loss and other comprehensive income in relation to the various investments held by the group are disclosed in note 7.

(c) Credit risk

AASB7(33)(a),(b) Credit risk arises from cash and cash equivalents, held-to-maturity investments, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

AASB7(34)(c) Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

For derivative financial instruments, management has established limits so that, at any time, less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty.

Held-to-maturity investments consist of debentures and zero coupon bonds, which are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

(c) Credit risk

AASB7(15)(b), (36)(a),(b)

(ii) Security

For some trade receivables the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

AASB7(36)(c)

	2017 $'000	2016 $'000
Trade receivables		
Counterparties with external credit rating (Moody's)		
A	**5,700**	4,031
BBB	**3,100**	2,100
BB	**1,970**	600
	10,770	6,731
*Counterparties without external credit rating **		
Group 1	**750**	555
Group 2	**2,102**	2,081
Group 3	**2,300**	256
	5,152	2,892
Total trade receivables	**15,922**	9,623
Other receivables		
Related parties and key management personnel **	**2,017**	1,306
Receivables from once-off transactions with third parties		
Counterparty with an external credit rating of A (Moody's)	**750**	-
Other third parties ***	**814**	916
	3,581	2,222
Cash at bank and short-term bank deposits		
AAA	**38,835**	14,690
AA	**18,263**	16,578
	57,098	31,268
Available-for-sale debt securities		
AAA	**812**	1,300
AA	**900**	700
BB	**820**	480
	2,532	2,480
Held-to-maturity investments		
AAA	**750**	750
AA	**460**	425
	1,210	1,175
Derivative financial assets		
AA	**1,327**	2,129
B	**835**	-
	2,162	2,129

* Group 1 – new customers (less than 6 months)
Group 2 – existing customers (more than 6 months) with no defaults in the past
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

** None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically. Management has established a related entity risk management framework including pre-determined limits for extending credit to key management personnel. Loans to key management personnel are generally secured through mortgage (see note 20(g) for further information).

*** The group has procedures in place to assess whether to enter into once-off transactions with third parties, including mandatory credit checks.

(c) Credit risk

(iv) Impaired trade receivables [8]

AASB7(21)
AASB7(B5)(d)
AASB139(59),(63),(64)

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See note 25(o) for information about how impairment losses are calculated.

AASB7(37)(b)

Individually impaired trade receivables relate to four furniture wholesalers that are experiencing unexpected economic difficulties (2016 – two customers of the consulting business). The group expects that a portion of the receivables will be recovered and has recognised impairment losses of $200,000 (2016 - $130,000). The ageing of these receivables is as follows: [8]

	Carrying amounts	
Non-current assets	**2017 $'000**	2016 $'000
1 to 3 months	**20**	10
3 to 6 months	**60**	20
Over 6 months	**151**	128
	231	158

AASB7(16)

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2017 $'000	2016 $'000
At 1 January	**300**	100
Provision for impairment recognised during the year	**580**	540
Receivables written off during the year as uncollectible	**(330)**	(285)
Unused amount reversed	**(25)**	(55)
At 31 December	**525**	300

Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired receivables.

	2017 $'000	2016 $'000
AASB7(20)(e) Impairment losses		
- individually impaired receivables	**(200)**	(130)
- movement in provision for impairment	**(580)**	(540)
AASB7(20)(e) Reversal of previous impairment losses	**35**	125

(v) Past due but not impaired

AASB7(37)(a),(36)(c)

As at 31 December 2017, trade receivables of $1,277,000 (2016 – $1,207,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 $'000	2016 $'000
Up to 3 months	**1,177**	1,108
3 to 6 months	**100**	99
	1,277	1,207

AASB7(37)(a),(b)

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

(d) Liquidity risk

AASB7(33)(a),(b),(39)(c),(B11E)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held deposits at call of $44,657,000 (2016 – $24,093,000) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

AASB7(34)(a)

Management monitors rolling forecasts of the group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 7(e)) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the group in accordance with practice and limits set by the group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(i) Financing arrangements [13]

AASB7(7),(34)(a)
AASB107(50)(a)

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2017 $'000	2016 $'000
Floating rate		
- Expiring within one year (bank overdraft and bill facility)	**12,400**	10,620
- Expiring beyond one year (bank loans)	**9,470**	8,100
	21,870	18,720

AASB7(7),(39)(c)
AASB107(50)(a)

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The unsecured bill acceptance facility may be drawn at any time and is subject to annual review. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either Australian dollar or United States dollars and have an average maturity of 6.5 years (2016 – 6.9 years). [14]

(ii) Maturities of financial liabilities [9-12]

AASB7(39)(a),(b),(B11B)

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

AASB7(B11D)

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

AASB7(39(a),(B11B)

The group's trading portfolio of derivative instruments with a negative fair value has been included at their fair value of $610,000 (2016 – $621,000) within the less than 6 month time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net fair value basis rather than by maturity date.

(d) Liquidity risk

AASB7(39)(a),(b),(B11)

Contractual maturities of financial liabilities 9-12 At 31 December 2017	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives							
Trade payables	**15,130**	**-**	**-**	**-**	**-**	**15,130**	**15,130**
Borrowings (excluding finance leases)	**4,439**	**4,639**	**9,310**	**46,195**	**40,121**	**104,704**	**97,050**
Lease liabilities	**427**	**428**	**855**	**2,365**	**-**	**4,075**	**3,394**
Total non-derivatives	**19,996**	**5,067**	**10,165**	**48,560**	**40,121**	**123,909**	**115,574**
Derivatives							
Trading derivatives	**610**	**-**	**-**	**-**	**-**	**610**	**610**
Gross settled (forward foreign exchange contracts – cash flow hedges)							
- (inflow)	**(17,182)**	**(13,994)**	**-**	**-**	**-**	**(31,176)**	**-**
- outflow	**17,521**	**14,498**	**-**	**-**	**-**	**32,019**	**766**
	949	**504**	**-**	**-**	**-**	**1,453**	**1,376**
At 31 December 2016							
Non-derivatives							
Trade payables	11,270	-	-	-	-	11,270	11,270
Borrowings (excluding finance leases)	4,513	4,118	9,820	44,476	30,235	93,162	84,130
Lease liabilities	427	428	855	2,515	655	4,880	3,950
Total non-derivatives	16,210	4,546	10,675	46,991	30,890	109,312	99,350
Derivatives							
Trading derivatives	621	-	-	-	-	621	621
Gross settled (forward foreign exchange contracts – cash flow hedges)							
- (inflow)	(11,724)	(6,560)	-	-	-	(18,284)	-
- outflow	11,885	7,228	-	-	-	19,113	777
	782	668	-	-	-	1,450	1,398

AASB7(B10A)(a)

Of the $46.195m disclosed in the 2017 borrowings time band ‘between 2 and 5 years’, the group is considering early repayment of $5,000,000 in the first quarter of the 2018 financial year (2016 – nil).

Financial risk management

Classes of financial instruments

AASB7(6),(B1)-(B3)

1. Where AASB 7 requires disclosures by class of financial instrument, the entity shall group its financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The entity shall provide sufficient information to permit reconciliation to the line items presented in the balance sheet. Guidance on classes of financial instruments and the level of required disclosures is provided in Appendix B of AASB 7.

Level of detail and selection of assumptions – information through the eyes of management

AASB7(34)(a)

2. The disclosures in relation to the financial risk management of an entity should reflect the information provided internally to key management personnel. As such, the disclosures that will be provided by an entity, their level of detail and the underlying assumptions used will vary greatly from entity to entity. The disclosures in these illustrative financial statements are only one example of the kind of information that may be disclosed and you should consider carefully what may be appropriate in your individual circumstances.

Derivative financial instruments

Classification as current or non-current

AASB101(BC38B),(BC38C)
AASB101(66),(69)

3. The classification of financial instruments as held for trading under AASB 139 does not mean that they must necessarily be presented as current in the balance sheet. If a financial liability is primarily held for trading purposes it should be presented as current. If it is not held for trading purposes, it should be presented as current or non-current on the basis of its settlement date. Financial assets should only be presented as current assets if the entity expects to realise them within 12 months.
4. The treatment of hedging derivatives will be similar. Where a portion of a financial asset is expected to be realised within 12 months of the end of the reporting period, that portion should be presented as a current asset; the remainder of the financial asset should be shown as a non-current asset. This suggests that hedging derivatives should be split into current and non-current portions. However, as an alternative, the full fair value of hedging derivatives could be classified as current if the hedge relationships are for less than 12 months and as non-current if those relationships are for more than 12 months.

Market risk

Foreign currency risk

AASB7(B23)

5. Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks. Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the group's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under AASB 121 is not fully eliminated.

AASB7(B23)

6. For the purpose of AASB 7, currency risk does also not arise from financial instruments that are non-monetary items. VALUE ACCOUNTS Holdings Limited has therefore excluded its US dollar denominated equity securities from the analysis of foreign exchange risk. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the other price risk disclosures as part of the fair value gains and losses.

Interest rate risk – fixed rate borrowings

7. Sensitivity to changes in interest rates is normally only relevant to financial assets or financial liabilities bearing floating interest rates. However, sensitivity will also be relevant to fixed rate financial assets and financial liabilities which are remeasured to fair value.

Financial risk management

Credit risk

Impaired trade receivables

AASB7(37)(b)

8. Entities must provide an analysis of financial assets that are individually determined to be impaired. However, there is no specific requirement to disclose the ageing of those financial assets. Other forms of analyses will be equally acceptable.

Liquidity risk

Maturity analysis

AASB7(B11B)

9. All financial liabilities must be included in the maturity analysis. The analysis should generally be based on contractual maturities. However, for derivative financial liabilities the standard provides entities with a choice to base the maturity grouping on expected rather than contractual maturities, provided the contractual maturities are not essential for an understanding of the timing of the cash flows. This could be the case for derivative contracts that are held for trading. For contracts such as interest rate swaps in a cash flow hedge of a variable rate financial asset or liability and for all loan commitments, the remaining contractual maturities will be essential for an understanding of the timing of the cash flows. These contracts must therefore be grouped based on their contractual maturities.

AASB7(39),(B11D)

10. The amounts disclosed should be the amounts expected to be paid in future periods, determined by reference to the conditions existing at the end of the reporting period. However, AASB 7 does not specify whether current or forward rates should be used. PwC recommends the use of forward rates as they are a better approximation of future cash flows.

AASB7(B11C)(c)

11. The specific time buckets presented are not mandated by the standard but are based on what is reported internally to the key management personnel. For financial guarantee contracts, the maximum amount of the guarantee must be allocated to the earliest period in which the guarantee could be called.
12. As the amounts included in the maturity tables are the contractual undiscounted cash flows, including principal and interest payments, these amounts will not reconcile to the amounts disclosed in the balance sheet. This is in particular as far as borrowings or derivative financial instruments are concerned. Entities can choose to add a column with the carrying amounts which ties into the balance sheet and a reconciling column if they so wish, but this is not mandatory.

Financing arrangements

AASB107(50)(a)
AASB7(39)(c)

13. Committed borrowing facilities are a major element of liquidity management. Entities should therefore consider providing information about their undrawn facilities. AASB 107 *Statement of Cash Flows* also recommends disclosure of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.

Terms and conditions of financial instruments

AASB7(7),(31)

14. Entities shall disclose sufficient information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance and the nature and extent of risks arising from these financial instruments. However, the intention of AASB 7 was to decrease the potentially voluminous disclosures that were required by AASB 132 and replace them with shorter but more meaningful information. Under normal circumstances entities will therefore no longer need to disclose the significant terms and conditions for each of their major borrowings. Nevertheless, if an entity has a borrowing or other financial instrument with unusual terms and conditions, then some information should be provided to enable users to assess the nature and extent of risks associated with these instruments.

Financial risk management

Disclosure not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

15. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

Reference	Issue not illustrated	Relevant disclosures or references
AASB7(15)	Collateral held by the entity which can be sold or repledged	Disclose the fair value of the collateral held, the fair value of collateral sold or repledged and whether it must be returned, and the terms and conditions associated with the collateral.
AASB7(23)(b)	Hedge accounting – forecast transaction is no longer expected to occur	Include a description of the transaction
AASB7(24)(a)	Fair value hedges	Disclose separately gains and losses on the hedging instrument and the hedged item attributable to the hedged risk
AASB7(35),(42)	Quantitative data is unrepresentative of the entity's risk exposure	Provide further information as necessary.
AASB7(39)(a),(B10)(c),(B11C)(c) AASB139(9)	Financial guarantee contract	This must be included in the maturity table in the earliest time bucket in which it can be called. The existence of such contracts will also need to be discussed in the context of the credit risk disclosures.
AASB7(20)(d),(e),(37)(b)	Impairment of financial assets other than trade receivables	Disclose impairment losses separately for each significant class of financial assets, the amount of interest income accrued on impaired financial assets and an analysis of financial assets that are individually determined to be impaired.
AASB7(B5)(g),(36)(c)	Renegotiated assets that would otherwise have been past due or impaired	Provide information about credit quality and accounting policy.

Fair value hedges

16. VALUE ACCOUNTS Holdings Limited has not entered into any fair value hedges. An illustrative accounting policy could read as follows:

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

13 Capital management

(a) Risk management [1]

AASB101(134), (135),(136)

The group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio:

Net debt as per note 10(c)

divided by

Total 'equity' (as shown in the balance sheet, including non-controlling interests).

AASB101(134), (135),(136)

During 2017, the group's strategy, which was unchanged from 2016, was to maintain a gearing ratio within 20% to 40% and a B credit rating. The credit rating was unchanged and the gearing ratios at 31 December 2017 and 31 December 2016 were as follows:

	2017 $'000	2016 Restated $'000
Net debt	**32,046**	45,897
Total equity	**159,716**	117,242
Net debt to equity ratio	**20%**	39%

(i) Loan covenants [1]

AASB101(135)(d)

Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenants:

- the gearing ratio must be not more than 50%, and
- the ratio of net finance cost to EBITDA must be not more than 10%.

The group has complied with these covenants throughout the reporting period. As at 31 December 2017, the ratio of net finance cost to EBITDA was 8% (10% as at 31 December 2016).

(b) Dividends [2,5,6]

		2017 $'000	2016 $'000
	(i) Ordinary shares		
AASB101(107)	Final dividend for the year ended 31 December 2016 of 22 cents (2015 – 10 cents) per fully paid share	**11,586**	5,455
AASB101(107)	Interim dividend for the year ended 31 December 2017 of 21 cents (2016 – 10 cents) per fully paid share	**11,144**	5,467
	(ii) 7% non-redeemable participating preference shares		
AASB101(107)	Annual dividend of 7 cents (2016 – 7 cents) per share	**107**	107
AASB101(107)	Total dividends provided for or paid	**22,837**	11,029
	Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2017 and 2016 were as follows:		
	Paid in cash	**22,271**	10,470
AASB107(43)	Satisfied by issue of shares	**566**	559
		22,837	11,029

(iii) Dividends not recognised at the end of the reporting period [3]

		2017 $'000	2016 $'000
AASB101(137)(a) AASB110(12) **Dates not mandatory**	In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 22 cents per fully paid ordinary share (2016 – 22 cents). The aggregate amount of the proposed dividend expected to be paid on 10 April 2018 out of retained earnings at 31 December 2017, but not recognised as a liability at year end, is	**11,989**	11,586

(iv) Franked dividends [4,7-10]

The final dividends recommended after 31 December 2017 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 31 December 2018.

AASB1054(13)

	Consolidated		**Parent entity**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2016 - 30%)	**20,531**	15,480	**12,510**	9,465

AASB1054(14)

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.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

Capital management

Capital risk management

AASB101(134),(135)

1. Capital is not defined in any of the Australian Accounting Standards. Entities must describe what they manage as capital based on the type of information that is provided internally to the key management personnel. It therefore depends on the individual entity as to whether capital includes interest-bearing debt or not. If such debt is included, however, and the loan agreements include capital requirements such as financial covenants that must be satisfied, then these need to be disclosed under paragraph 135(d) of AASB 101 *Presentation of Financial Statements*.

Capital management

Dividends

Parent vs consolidated information

2. The dividends disclosed in this note are only those paid by the parent entity and do not include dividends paid by subsidiaries to non-controlling interests. AASB 101 requires disclosure of the dividends recognised as distribution to owners during the period (paragraph 107). The term 'owners' is generally used in AASB 101 in the context of owners of the parent entity (eg paragraphs 81B and 106). The focus of the financial statements is still on the parent entity shareholders and on that basis a disclosure of dividends per share is only relevant for the owners of the parent entity. This disclosure also correlates to the disclosure of the number of shares issued as required under paragraph 79 of AASB 101. Holders of non-controlling interests will receive their dividend information from the separate financial statements of the relevant subsidiaries.

Dates of payment

AASB1039(30)(b)(i)

3. Disclosure of the actual or expected dates of payment of dividends is not mandatory in the full financial statements. These disclosures are required in a concise financial report, however, where such a report is prepared.

Franking credits

AASB1054(14)

4. AASB 1054 *Australian Additional Disclosures* 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 consolidated amounts show the total amount of franking credits available if distributable profits of subsidiaries were paid as dividends. However, we believe that information about the parent entity only amount is also relevant, as it is the parent entity that will be declaring the dividends in the first place.

Disclosure not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

5. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosures or references
AASB101(137)(b)	Cumulative preference dividends not recognised	Disclose amount.
AASB-I17(15)-(17)	Dividends in the form of non-cash assets	Various disclosures, see Interpretation 17 and the illustrative example below for details.
	Franking credits could be significantly affected by the possible future payment or refund of tax following a retrospective change in legislation	Consider explaining this fact.
AASB1054(12)	The company also has New Zealand imputation credits	NZ imputation credits must be separately disclosed.
AASB1054(15)	There are different classes of investors with different entitlements to imputation credits	Explain the nature of those entitlements for each class, where relevant

6. The following illustrative disclosure may be useful where relevant to an entity:

Non-cash dividends

AASB-I17(11),(14),(15),(16)

(a) Where an entity distributes non-cash assets to its owners, an explanation could read as follows:

In November 2017, XYZ Limited transferred all of the shares held in its subsidiary, ABC Limited, to its parent entity as a non-cash dividend. The dividend was measured at the fair value of the subsidiary ($2,500,000). The difference between the fair value of the shares and their carrying amount ($1,800,000) is presented in profit or loss as other income ($700,000).

Capital management

Franking account legislation for certain companies

7. Australian resident shareholders of companies which are effectively wholly-owned by non-residents or tax exempt bodies ('exempting entities') may not obtain a tax offset or franking credits, except in limited circumstances.
8. Furthermore, an exempting entity which ceases to be effectively wholly-owned by non-residents or tax exempt bodies (referred to as a 'former exempting entity') is required to maintain an 'exempting account' in addition to a franking account. In effect, the exempting account will be the franking account balance at the date of ownership change adjusted for subsequent tax payments and refunds attributable to the period before change in ownership. The franking account balance will only reflect franking credits and debits arising from tax payments, refunds and dividends attributable to the period after change in ownership.
9. Resident shareholders of such companies are not entitled to a tax offset or franking credits on exempting account dividends, except in limited circumstances. Non-resident shareholders may continue to receive the benefit of 'franked' or 'exempted' dividends by way of an exemption from withholding tax.
10. It is suggested that companies affected by the above should include the following additional disclosures on the availability of franking credits:

    Exempting company

    Income tax legislation denies Australian resident shareholders of companies which are effectively wholly-owned by non-residents and/or tax exempt bodies from obtaining franking credit benefits, except in limited circumstances. Non-resident shareholders will continue to receive the benefit of franked dividends by way of an exemption from withholding tax. The legislation applies to the company.

    Former exempting company

    Where at a particular time, the company ceases to be effectively wholly-owned by non-residents and/or tax exempt bodies, special rules will apply to establish an 'exempting account' in addition to a new franking account. In effect, the 'exempting account is the franking account balance at the date of ownership change adjusted for subsequent tax payments and refunds attributable to the period before the change in ownership. The franking account balance will only reflect franking credits and debits arising from tax payments, refunds and dividends attributable to the period after the change in ownership.

    Resident shareholders of such companies are not entitled to a tax offset or franking credits on 'exempting account' dividends, except in limited circumstances. Non-resident shareholders will continue to receive the benefit of 'franked' dividends by way of an exemption from withholding tax. Certain non-resident shareholders may receive the benefit of exempted dividends by way of exemption from withholding tax.

    The legislation applies to the company and the amount of franking credits and exempting credits available for the subsequent financial year are as follows:

Franking credits available for the subsequent financial year	$_____	$_____
Exempting credits available for the subsequent financial year	$_____	$_____

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
- transactions with non-controlling interests, and
- interests in joint operations.

A list of significant subsidiaries is provided in note 16. This note also discloses details about the group's equity accounted investments.

14 Business combination [2]

(a) Summary of acquisition

AASB3(B64)(a)-(d)

On 1 April 2017 the parent entity acquired 70% of the issued share capital of VALUE IFRS Electronics Group, a manufacturer of electronic 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
AASB3(B64)(f)	Purchase consideration (refer to (b) below):	
	Cash paid	**3,000**
	Ordinary shares issued	**9,765**
	Contingent consideration	**135**
AASB107(40)(a)	Total purchase consideration	**12,900**

AASB3(B64)(f)(iv),(m)

The fair value of the 1,698,000 shares issued as part of the consideration paid for VALUE IFRS Electronics Group ($9.765m) was based on the published share price on 1 April 2017 of $5.78 per share. Issue costs of $50,000 which were directly attributable to the issue of the shares have been netted against the deemed proceeds in equity.

AASB3(B64)(i)
AASB107(40)(d)

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**
	Land and buildings	**4,200**
	Plant and equipment	**7,610**
	Deferred tax asset	**2,359**
	Intangible assets: trademarks	**3,020**
	Intangible assets: customer contracts	**3,180**
	Trade payables	**(470)**
	Bank overdraft	**(1,150)**
	Contingent liability	**(450)**
	Deferred tax liability	**(2,304)**
	Post-employment benefit obligations	**(1,914)**
	Other employee benefit obligations	**(415)**
	Net identifiable assets acquired	**16,836**
AASB3(B64)(o)(i)	Less: non-controlling interests	**(5,051)**
	Add: goodwill	**1,115**
	Net assets acquired	**12,900**

AASB3(B64)(e),(k)

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

AASB101(38)

There were no acquisitions in the year ending 31 December 2016. [1]

(i) Significant estimate: contingent consideration

AASB3(B64)(g)

In the event that certain pre-determined sales volumes are achieved by the subsidiary for the year ended 31 December 2017, additional consideration of up to $1,000,000 may be payable in cash on 1 September 2018.

AASB3(B64)(g)(ii),(iii)

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 IFRS Electronics Group of between $12,000,000 and $12,500,000.

AASB3(B67)(b)

As at 31 December 2017, the contingent consideration has been derecognised, as the actual sales revenue achieved by VALUE IFRS Electronics Group was below $10,000,000. A gain of $135,000 was included in other income.

(a) Summary of acquisition

(ii) Significant judgement: contingent liability

AASB3(B64)(j) AASB137(85) AASB3(B67)(c)

A contingent liability of $450,000 was recognised on the acquisition of VALUE IFRS Electronics Group 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 June 2018. 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 31 December 2017, there has been no change in the amount recognised (except for the unwinding of the discount of $27,000) for the liability in April 2017, as there has been no change in the probability of the outcome of the lawsuit.

AASB3(B64)(h)

(iii) Acquired receivables

The fair value of acquired trade receivables is $780,000. The gross contractual amount for trade receivables due is $807,000, of which $27,000 is expected to be uncollectible.

(iv) Accounting policy choice for non-controlling interests

AASB3(B64)(o)(i)

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 IFRS Electronics Group, the group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets. See note 25(i) for the group's accounting policies for business combinations.

(v) Revenue and profit contribution

AASB3(B64)(q)

The acquired business contributed revenues of $3,850,000 and net profit of $1,405,000 to the group for the period from 1 April to 31 December 2017.

If the acquisition had occurred on 1 January 2017, consolidated pro-forma revenue and profit for the year ended 31 December 2017 would have been $212,030,000 and $38,070,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2017, together with the consequential tax effects.

(b) Purchase consideration – cash outflow

		2017 $'000	2016 $'000
	Outflow of cash to acquire subsidiary, net of cash acquired		
AASB107(40)(b)	Cash consideration	**3,000**	-
AASB107(40)(c)	Less: Balances acquired		
	Cash	**1,550**	-
	Bank overdraft	**(1,150)**	-
		400	-
	Net outflow of cash – investing activities	**2,600**	-

Acquisition-related costs

AASB3(B64)(m)

Acquisition-related costs of $750,000 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

Business combination

Comparatives

AASB101(38)

1. Under AASB 101, comparative information must be given for all numerical information reported in the financial statements, including narratives. However, AASB 3 does not separately require comparative information in respect of business combinations. In our view, the AASB 3 disclosures are required only for business combinations occurring during the period. This means that in the period following the combination, the disclosures required in paragraph B64 of AASB 3 do not need to be repeated. However, the disclosures that are required in relation to a prior business combination in paragraph B67 of AASB 3 must be made.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

Additional disclosures

2. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosures or references
AASB3(B64)(l),(52)	Transactions that are recognised separately from the business combination	Disclose a description of the transaction and how it was accounted for, the amounts recognised and other information as specified in AASB 3.
AASB3(B64)(n)	The entity has made a bargain purchases	Disclose the gain recognised and explain why the transaction resulted in a gain.
AASB3(B64)(p)	The business combination was achieved in stages	Disclose the acquisition-date FV of the equity interest held immediately before the acquisition and the gain or loss recognised as a result of remeasuring the equity interest to fair value.
AASB3(B67)(a)	The initial accounting for the business combination is incomplete	Explain why the initial accounting is incomplete, which items are affected and any adjustments recognised during the reporting period.
AASB3(B67)(e)	The entity has recognised a gain or loss in the current reporting period relating to identifiable assets acquired or liabilities assumed in a business combination from the current or a prior period	Disclose the amount and provide an explanation of the gain or loss.
AASB3(63)	The objectives of AASB 3 are not satisfied with the required disclosures	Provide additional explanations as necessary.

15 Discontinued operation [3]

(a) Description

AASB5(41)(a),(b),(d) On 30 October 2016 the group announced its intention to exit the engineering business and initiated an active program to locate a buyer for its German subsidiary, VALUE IFRS Engineering GmbH. The associated assets and liabilities were consequently presented as held for sale in the 2016 financial statements.

AASB5(30) The subsidiary was sold on 28 February 2017 with effect from 1 March 2017 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(b) Financial performance and cash flow information [1,2]

The financial performance and cash flow information presented are for the two months ended 28 February 2017 (2017 column) and the year ended 31 December 2016.

		2017 $'000	2016 $'000
AASB5(33)(b)(i)	Revenue (note 3)	**4,200**	26,460
AASB5(33)(b)(i)	Other income (revaluation of contingent consideration receivable, see (c) below)	**130**	-
AASB5(33)(b)(i)	Expenses	**(3,939)**	(25,890)
AASB5(33)(b)(i)	Profit before income tax	**391**	570
AASB5(33)(b)(ii) AASB112(81)(h)(ii)	Income tax expense	**(117)**	(171)
	Profit after income tax of discontinued operation	**274**	399
	Gain on sale of the subsidiary after income tax (see (c) below)	**481**	-
	Profit from discontinued operation	**755**	399
	Changes in fair value of contingent consideration receivable, see (c) below	**(40)**	-
AASB5(38)	Exchange differences on translation of discontinued operations	**170**	58
	Other comprehensive income from discontinued operations	**130**	58
AASB5(33)(c)	Net cash inflow from operating activities	**1,166**	710
AASB5(33)(c)	Net cash inflow/(outflow) from investing activities (2017 includes an inflow of $3,110,000 from the sale of the division)	**3,110**	(190)
AASB5(33)(c)	Net cash (outflow) from financing activities	**-**	(280)
	Net increase in cash generated by the subsidiary	**4,276**	240

(c) Details of the sale of the subsidiary

		2017 $'000	2016 $'000
	Consideration received or receivable:		
AASB107(40)(b)	Cash	**3,110**	-
	Fair value of contingent consideration	**1,200**	-
AASB107(40)(a)	Total disposal consideration	**4,310**	-
	Carrying amount of net assets sold	**(3,380)**	-
	Gain on sale before income tax and reclassification of foreign currency translation reserve	**930**	-
AASB5(38)	Reclassification of foreign currency translation reserve	**(170)**	-
AASB112(81)(h)(i)	Income tax expense on gain	**(279)**	-
	Gain on sale after income tax	**481**	-

(c) Details of the sale of the subsidiary

AASB132(11)
AASB139(9)

In the event the operations of the subsidiary achieve certain performance criteria during the period 1 March 2017 to 28 February 2019 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 an available-for-sale financial asset (see note 7(c)).

AASB5(35)
AASB139(AG8),
AASB139(55)(b)

At year end, the fair value was re-estimated to be $1,290,000. Of this change in fair value, $130,000 related to the remeasurement of the expected cash flows and was taken to profit or loss, net of related income tax. The gain is presented in discontinued operations, see analysis in (a) above. A fair value loss of $40,000 relating to changes in market interest rate was recognised in other comprehensive income and included in the available-for-sale financial assets reserve in equity, also net of related income tax.

AASB107(40)(d)

The carrying amounts of assets and liabilities as at the date of sale (28 February 2017) were:

	28 February 2017 $'000
Property, plant and equipment	**1,660**
Trade receivables	**1,200**
Inventories	**950**
Total assets	**3,810**
Trade creditors	**(390)**
Employee benefit obligations	**(40)**
Total liabilities	**(430)**
Net assets	**3,380**

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

AASB5(38)

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2016:

		2017 $'000	2016 $'000
AASB101(77)	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	**-**	4,955
AASB101(77)	Liabilities directly associated with assets classified as held for sale		
	Trade creditors	**-**	(450)
	Employee benefit obligations	**-**	(50)
	Total liabilities of disposal group held for sale	**-**	(500)

Discontinued operation

Restating prior periods

AASB5(34)

1. An entity must re-present the disclosures for discontinued operations for prior periods presented in the financial statements 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. As a consequence, the restated prior year statements of comprehensive income and cash flows figures will not be entirely comparable to the current year's figures.

AASB5(40)

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

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

3. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issues not illustrated	Relevant disclosures or references
AASB5(35)	Resolution of uncertainties relating to adjustments recognised as a result of the disposal of a discontinued operation	Disclose separately the nature and amount of the adjustments
AASB5(36),(42)	Asset or disposal group is no longer classified as held for sale	Reclassify the results previously presented as discontinued operations and provide appropriate explanations.
AASB5(41)(c)	Gains or losses recognised as a result of a remeasurement to fair value less costs to sell	Disclose the gain or loss recognised following the remeasurement and where the gain or loss is presented in the statement of profit or loss.
AASB-I17	Information about dividends in the form of non-cash assets	Provide details as required by Interpretation 17.

16 Interests in other entities [4,5]

(a) Material subsidiaries [1]

AASB12(10)(a)

The group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, 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.

AASB12(10)(a)(i),(ii)
AASB124(13)
AASB12(12)(a)-(d)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group 2017	2016	Ownership interest held by non-controlling interests 2017	2016	Principal activities
		%	%	**%**	%	
VALUE IFRS Retail Limited *	Australia	**100**	100	**-**	-	Furniture retail stores
VALUE IFRS Manufacturing Limited (note 16(c))	Australia	**90**	85	**10**	15	Furniture manufacture
VALUE IFRS Electronics Group	Australia	**70**	-	**30**	-	Electronic equipment manufacture
VALUE IFRS Overseas Ltd. (i),(ii)	China	**45**	45	**55**	55	Furniture manufacture
VALUE IFRS Consulting Inc	US	**100**	100	**-**	-	IT consulting
VALUE IFRS Development Limited *	Australia	**100**	100	**-**	-	Development of residential land
VALUE IFRS Engineering GmbH	Germany	**-**	100	**-**	-	Engineering business; see note 15

ASIC2016/785
Revised requirement

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC instrument 2016/785. For further information refer to note 2Y.

AASB101(122)

AASB12(7)(a),(9)(b)

(i) Significant judgement: consolidation of entities with less than 50% ownership

The directors have concluded that the group controls VALUE IFRS Overseas Ltd, even though it holds less than half of the voting rights of this subsidiary. This is because the group is the largest shareholder with a 45% equity interest while the remaining shares are held by eight investors. An agreement signed between the shareholders and VALUE IFRS Overseas Ltd grants VALUE ACCOUNTS Holdings Limited the right to appoint, remove and set the remuneration of management responsible for directing the relevant activities. A 67% majority vote is required to change this agreement, which cannot be achieved without the group's consent as the group holds 45% of the voting rights.

(ii) Significant restrictions

AASB12(10)(b)(i),(13)

Cash and short-term deposits held in Asian countries (including China) are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

AASB12(13)(c)

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is $650,000 (2016 – $410,000).

(b) Non-controlling interests (NCI)

AASB12(12)(g)
AASB12(B11)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

AASB12(B10)(b)

Summarised balance sheet	**VALUE IFRS Manufacturing Limited**		**VALUE IFRS Overseas Ltd**		**VALUE IFRS Electronics Group**	
	31 Dec 2017 $'000	31 Dec 2016 $'000	**31 Dec 2017 $'000**	31 Dec 2016 $'000	**31 Dec 2017 $'000**	31 Dec 2016 $'000
Current assets	**13,870**	13,250	**11,500**	9,800	**7,875**	-
Current liabilities	**12,570**	7,595	**10,570**	8,300	**1,200**	-
Current net assets	**1,300**	5,655	**930**	1,500	**6,675**	
Non-current assets	**28,010**	22,910	**15,570**	12,730	**18,900**	-
Non-current liabilities	**5,800**	3,400	**12,735**	10,748	**10,100**	-
Non-current net assets	**22,210**	19,510	**2,835**	1,982	**8,800**	-
Net assets	**23,510**	25,165	**3,765**	3,482	**15,475**	-
Accumulated NCI	**2,751**	3,775	**2,071**	1,914	**4,641**	**-**

AASB12(12)(f) — Accumulated NCI

AASB12(B10)(b)

Summarised statement of comprehensive income	**VALUE IFRS Manufacturing Limited**		**VALUE IFRS Overseas Ltd**		**VALUE IFRS Electronics Group**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Revenue	**30,200**	27,800	**14,100**	14,450	**3,850**	-
Profit for the period	**10,745**	7,900	**2,412**	2,062	**1,405**	-
Other comprehensive income	**1,265**	830	**(447)**	243	**-**	**-**
Total comprehensive income	**12,010**	8,730	**1,965**	2,305	**1,405**	-
Profit allocated to NCI	**1,257**	1,185	**1,327**	1,134	**422**	-
Dividends paid to NCI	**1,262**	935	**925**	893	**830**	-

AASB12(12)(e) — Profit allocated to NCI
AASB12(B10)(a) — Dividends paid to NCI

AASB12(B10)(b)

Summarised cash flows	**VALUE IFRS Manufacturing Limited**		**VALUE IFRS Overseas Ltd**		**VALUE IFRS Electronics Group**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Cash flows from operating activities	**2,989**	2,780	**1,203**	1,160	**980**	-
Cash flows from investing activities	**(1,760)**	(1,563)	**(584)**	(859)	**(870)**	-
Cash flows from financing activities	**390**	(950)	**256**	330	**(235)**	-
Net increase/ (decrease) in cash and cash equivalents	**1,619**	267	**875**	631	**(125)**	-

(c) Transactions with non-controlling interests

AASB12(10)(b)(iii),(18)

On 21 October 2017, the group acquired an additional 5% of the issued shares of VALUE IFRS Manufacturing Limited for $1,500,000. Immediately prior to the purchase, the carrying amount of the existing 15% non-controlling interest in VALUE IFRS Manufacturing Limited was $3,501,000. The group recognised a decrease in non-controlling interests of $1,167,000 and a decrease in equity attributable to owners of the parent of $333,000. The effect on the equity attributable to the owners of VALUE ACCOUNTS Holdings Limited during the year is summarised as follows:

	2017 $'000	2016 $'000
Carrying amount of non-controlling interests acquired	**1,167**	-
Consideration paid to non-controlling interests	**(1,500)**	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(333)**	-

There were no transactions with non-controlling interests in 2016.

(d) Joint operations [2]

AASB12(7)(b),(21)(a)

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.

AASB12(21)(a)(iii)

The principal place of business of the joint operation is in Australia.

(i) Significant judgement: classification of joint arrangements

AASB12(7)(c)

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 25(b)(iii).

(e) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the group as at 31 December 2017 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

AASB12(21)(a), (b)(i),(iii)

Name of entity	Place of business/ country of incorporation	% of ownership interest 2017	2016	Nature of relationship	Measurement method	Quoted fair value 2017	2016	Carrying amount 2017	2016
		%	%			**$'000**	$'000	**$'000**	$'000
Big Hide Pet SA	France	**15**	15	Associate (1)	Equity method	**585**	560	**568**	540
Cuddly Bear Limited	Australia	**35**	35	Associate (2)	Equity method	**495**	505	**492**	490
Squirrel Ltd	Australia	**40**	40	Joint Venture (3)	Equity method	**- ***	- *	**2,340**	1,900
Immaterial associates (iii) below								**375**	345
Total equity accounted investments								**3,775**	3,275

AASB12(21)(a)(ii)

(1) Big Hide Pet SA is a manufacturer of specialised furniture for the hospitality industry, including cafés and restaurants. Its product range complements the group's commercial furniture range and provides access to markets not previously serviced by the group.

(2) Cuddly Bear Limited develops residential land. It 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 through a reduced equity holding.

(3) Squirrel Ltd distributes computer software to wholesale customers in the Australian market. It is a strategic investment for the group which complements the services provided by the IT consulting segment.

* Private entity – no quoted price available.

(i) Significant judgement: existence of significant influence

AASB12(9)(e)

Through the shareholder agreement, VALUE ACCOUNTS Holdings Limited is guaranteed two seats on the board of Big Hide Pet SA 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.

(e) Interests in associates and joint ventures

(ii) Commitments and contingent liabilities in respect of associates and joint ventures

		2017 $'000	2016 $'000
AASB12(23)(a),(B18)	*Commitments – joint ventures*		
AASB12(B19)(a)	Commitment to provide funding for joint venture's capital commitments, if called	**250**	200
AASB12(23)(b)	*Contingent liabilities – associates*		
	Share of contingent liabilities incurred jointly with other investors of the associate	**150**	120
	Contingent liabilities relating to liabilities of the associate for which the company is severally liable	**-**	80
	Contingent liabilities – joint ventures		
	Share of joint venture's contingent liabilities in respect of a legal claim lodged against the entity	**200**	180
		350	380

(iii) Summarised financial information for associates and joint ventures [3,6]

AASB12(21)(b)(ii),(B14)

The tables below provide summarised financial information for those joint ventures and associates that are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not VALUE ACCOUNTS Holdings Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

		Big Hide Pet SA		Cuddly Bear Limited		Squirrel Ltd	
AASB12(B12),(B13)	**Summarised balance sheet**	**31 Dec 2017 $'000**	31 Dec 2016 $'000	**31 Dec 2017 $'000**	31 Dec 2016 $'000	**31 Dec 2017 $'000**	31 Dec 2016 $'000
AASB12(B12)(b)(i)	Current assets						
AASB12(B13)(a)	Cash and cash equivalents	*****	*	*****	*	**300**	275
	Other current assets	*****	*	*****	*	**1,700**	1,475
	Total current assets	**1,333**	1,083	**243**	371	**2,000**	1,750
AASB12(B12)(b)(ii)	Non-current assets	**5,967**	5,083	**2,000**	1,800	**7,125**	6,500
AASB12(B12)(b)(iii)	Current liabilities						
AASB12(B13)(b)	Financial liabilities (excluding trade payables)	*****	*	*****	*	**150**	250
	Other current liabilities	*****	*	*****	*	**1,100**	625
	Total current liabilities	**583**	400	**271**	171	**1,250**	875
AASB12(B12)(b)(iv)	Non-current liabilities						
AASB12(B13)(c)	Financial liabilities (excluding trade payables)	*****	*	*****	*	**1,900**	2,250
	Other non-current liabilities	*****	*	*****	*	**350**	375
	Total non-current liabilities	**2,717**	2,166	**400**	600	**2,250**	2,625
	Net assets	**4,000**	3,600	**1,572**	1,400	**5,625**	4,750
AASB12(B14)(b)	**Reconciliation to carrying amounts:**						
	Opening net assets 1 January	**3,600**	2,967	**1,400**	1,286	**4,750**	4,500
	Profit for the period	**322**	400	**34**	171	**625**	550
	Other comprehensive income	**132**	767	**-**	-	**750**	-
	Dividends paid	**(267)**	(534)	**(28)**	(57)	**(275)**	(300)
	Closing net assets	**3,787**	3,600	**1,406**	1,400	**5,850**	4,750
	Group's share in %	**15%**	15%	**35%**	35%	**40%**	40%
	Group's share in $	**568**	540	**492**	490	**2,340**	1,900
	Goodwill	**-**	-	**-**	-	**-**	-
	Carrying amount	**568**	540	**492**	490	**2,340**	1,900

(e) Interests in associates and joint ventures

AASB12(B12),(B13)

		Big Hide Pet SA		Cuddly Bear Limited		Squirrel Ltd	
	Summarised statement of comprehensive income	**2017**	2016	**2017**	2016	**2017**	2016
		$'000	$'000	**$'000**	$'000	**$'000**	$'000
AASB12(B12)(b)(v)	Revenue	**8,733**	8,400	**2,657**	2,457	**10,038**	9,800
AASB12(B13)(e)	Interest income	*	*	*	*	**-**	-
AASB12(B13)(d)	Depreciation and amortisation	*	*	*	*	**(2,800)**	(1,890)
AASB12(B13)(f)	Interest expense	*	*	*	*	**(340)**	(280)
AASB12(B13)(g)	Income tax expense	*	*	*	*	**-**	-
AASB12(B12)(b)(vi)	**Profit from continuing operations**	**322**	400	**34**	171	**625**	550
AASB12(B12)(b)(vii)	Profit from discontinued operations	**-**	-	**-**	-	**-**	-
	Profit for the period	**322**	400	**34**	171	**625**	550
AASB12(B12)(b)(viii)	Other comprehensive income	**132**	767	**-**	-	**750**	-
AASB12(B12)(b)(ix)	Total comprehensive income	**454**	1,167	**34**	171	**1,375**	550
AASB12(B12)(a)	Dividends received from associates and joint venture entities	**40**	80	**10**	20	**110**	120

* Shading indicates disclosures that are not required for investments in associates [3]

(iv) Individually immaterial associates

AASB12(21)(c),(B16)

In addition to the interests in associates disclosed above, the group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2017 **$'000**	2016 $'000
Aggregate carrying amount of individually immaterial associates	**375**	345
Aggregate amounts of the group's share of:		
Profit from continuing operations	**30**	15
Post-tax profit or loss from discontinued operations	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**30**	15

Interests in other entities

Listing of significant subsidiaries

AASB12(10)(a) AASB12(4)

1. AASB 12 requires entities to disclose information about the composition of the group. This information can be provided in different ways; eg by identifying major subsidiaries as we have done in this note. However, preparers of financial statements should consider what level of detail is necessary to satisfy the overall disclosure objective of the standard. Useful information should not be obscured by including a large amount of insignificant detail (eg a complete listing of all subsidiaries within the group). It may also not always be necessary to disclose the principal activity of each subsidiary.

Joint operations – summary of assets employed/liabilities incurred

AASB101(112)(c)

2. If an entity has significant interests in joint operations, it should consider disclosing the group's interests in the assets employed and liabilities incurred in relation to these joint operations. This information will assist users in assessing the extent and financial impact of the joint operations and may – in certain circumstances – be required on the basis that it is relevant to an understanding of the financial statements (AASB 101 paragraph 112(c)).

Summarised financial information of associates and joint ventures

3. The disclosure requirements in relation to summarised financial information of joint ventures are more onerous than those for interests in associates. Where certain information is not required for interests in associates, the relevant parts of the table have been shaded. We have chosen this form of presentation primarily to illustrate the similarities and differences in the disclosures for associates and joint ventures. This form of presentation may not be suitable for all entities.

Interests in other entities

Entities classified as held for sale

AASB12R(5A),(B17) AASB2017-2

4. Amendments made to AASB 12 in the 2014-2016 Annual Improvements cycle clarified that the disclosure requirements of AASB 12 also apply to interests in entities that are classified as held for sale, except for the summarised information in paragraphs B10 to B16 of AASB 12.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

5. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosures or references
AASB12(14)-(17)	Consolidated structured entities	Provide information as specified in AASB 12 paragraphs 14 – 17. Entities such as employee share trusts will often qualify as structured entities. To the extent they are significant, the disclosures in AASB 12 should therefore be considered in this context. Note 21 illustrates the disclosures that would apply to the VALUE IFRS Employee Share Trust.
AASB12(10)(b)(iv),(19) AASB101(106)(d),(97)	Disposal or loss of control over a subsidiary	Provide information about the gain or loss recognised on the loss of control. Consider also the requirement to reclassify any components of other comprehensive income that are attributable to the subsidiary from equity to profit or loss or directly to retained earnings. Any amounts transferred from equity reserves on the loss of control of a subsidiary will need to be reflected in the reconciliation of reserves as reclassification adjustments (refer note 9(c)). Where the amounts reclassified amounts are material, consider providing additional explanations.
AASB12(11),(22)(b)	Subsidiaries, associates or joint ventures with different reporting dates	Disclose the reporting date and the reasons for using a different date or period.
AASB12(21)(c),(B16)	Individually immaterial joint ventures	Disclose the same information as illustrated in note 16(e) for immaterial associates.
AASB12(22)(a)	Significant restrictions – associates or joint ventures	Disclose the nature and extent of the restrictions on the ability of a joint venture or associate to transfer funds in the form of cash dividends, or to repay loans or advances made by the entity.
AASB12(22)(c)	Unrecognised share of losses of joint ventures and associates	Disclose the unrecognised amounts both for the reporting period and cumulatively.
AASB12(B15)	Interests in associates and joint ventures measured at fair value	The summarised financial information that must be provided for each material associate or joint venture may be presented based on non-Australian accounting standard (AAS) compliant financial statements if preparation of AAS compliant financial statements would be impracticable or cause undue cost.
AASB12(B17)	Interest in subsidiary, associate or joint venture classified as held for sale	Summarised financial information does not need to be provided for associates or joint ventures that are held for sale.

Interests in other entities

	Issue not illustrated	Relevant disclosures or references
AASB12(B19)(b)	Commitment to acquire another party's ownership interest in a joint venture	Disclose as part of the disclosures of unrecognised commitments.
AASB12(24)-(31)	Information about unconsolidated structured entities	Various disclosures, see AASB 12 paragraphs 24 – 31 for details.
AASB12(9A),(9B), (19A)-(19G),(25A)	Investment entities – information about unconsolidated subsidiaries	Various disclosures, see AASB 12 paragraphs (9A), (9B), (19A)-(19G) and (25A) for details.

6. While not required under AASB 12, readers of the financial statements may find it useful if the note for equity-accounted investments also provides a reconciliation of the aggregate carrying amounts from opening to closing balances. This could look as follows:

	2017 $'000	2016 $'000
Opening balance 1 January	**3,275**	3,025
Share of operating profits	**340**	355
Share of other comprehensive income	**320**	115
Dividends received	**(160)**	(220)
Closing balance 31 December	**3,775**	3,275

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 6

(b) Non-cash investing and financing transactions – see note 10(b).

Unrecognised items

7. 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.

17 Contingent liabilities and contingent assets [2]

(a) Contingent liabilities [1]

The group had contingent liabilities at 31 December 2017 in respect of:

(i) Claims

AASB137(86),(91)

A claim for unspecified damages was lodged against VALUE IFRS Retail Limited in December 2016 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 significant liability will arise.

AASB137(86)

In September 2017, a claim was lodged against VALUE IFRS Manufacturing Limited 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 judgement before the end of June 2018. The group considers it to be probable that the judgement 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.

(ii) Associates and joint ventures

AASB12(23)(b)

For contingent liabilities relating to associates and joint ventures refer to note 16(e).

(b) Contingent assets

AASB137(89)

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. However, the contingent asset has not been recognised as a receivable at 31 December 2017 as receipt of the amount is dependent on the outcome of the arbitration process.

Contingent liabilities and contingent assets

Definitions

AASB137(10)

Application of definitions

1. Careful consideration will need to be given to each potential contingent liability or asset. For example, in the case of an entity that:
   (a) has incurred liabilities in acting as trustee for a trust: if the liabilities of the trust are insignificant compared to the assets in the trust and the chances of the trustee being called to meet those liabilities is remote, no contingent liability and asset disclosures will need to be made. It is likely that it will be possible to demonstrate remoteness where the entity is acting as trustee for an equity trust that has no borrowings and holds investments that can be readily sold to meet any liabilities that do arise. Remoteness is unlikely to be demonstrated where an entity acts as trustee for a trust that is carrying on a business and the trustee is incurring liabilities and undertaking the risks relating to the business

   (b) has provided a guarantee or indemnity to another party: it will be more difficult to demonstrate the probability of having to meet the potential liabilities as being remote because there are likely to be commercial risks which gave rise to the need for the guarantee or indemnity.

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   (c) has subsidiaries that are, or may be insolvent: holding companies can be liable for debts incurred by a subsidiary where the holding company, or any of its directors, are, or ought to be, aware that the subsidiary may be insolvent. In this case, the contingent liability note should refer to the fact that the company may be liable for the debts under the *Corporations Act 2001.*

   (d) is a wholly-owned entity in a tax consolidated group: a contingent liability may arise if the probability of default by the head entity, or of the wholly-owned entity leaving the tax-consolidated group, is more than remote and
      (i) there is no valid tax sharing agreement in place, or
      (ii) a tax sharing agreement has been entered into and the liability arising in the event of a default exceeds the amount recognised as a liability under the tax sharing agreement.

Contingent liabilities and contingent assets

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

2. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosures or references
AASB137(88)	Provisions and contingent liabilities arising from the same set of circumstances	Make the required disclosures in a way such that the link between the provision and the contingent liability is clear.
AASB137(91)	Information cannot be disclosed because it is not practicable to do so	Disclose the fact.
AASB137(92)	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.
AASB119(152)	Contingent liabilities arising from post-employment benefit plans	Provide information about these contingent liabilities.

18 Commitments [1]

(a) Capital commitments

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

		2017 $'000	2016 $'000
AASB116(74)(c)	Property, plant and equipment	**4,200**	800
AASB140(75)(h)	Investment property	**520**	1,250
AASB138(122)(e)	Intangible assets	**450**	-

Fernwood Partnership

AASB12(23)(a) The above commitments include capital expenditure commitments of $500,000 (2016 – nil) relating to the Fernwood Partnership (refer to note 16(d)).

(b) Non-cancellable operating leases

AASB117(35)(d) The group leases various offices, warehouses and retail stores under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess warehouse space is sub-let to third parties also under non-cancellable operating leases.

		2017 $'000	2016 $'000
AASB117(35)(a)	Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
AASB117(35)(a)(i)	Within one year	**850**	750
AASB117(35)(a)(ii)	Later than one year but not later than five years	**2,300**	2,300
AASB117(35)(a)(iii)	Later than five years	**3,940**	3,770
		7,090	6,820
	Sub-lease payments		
AASB117(35)(b)	Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**850**	920

(b) Non-cancellable operating leases

AASB117(35)(d)(i) Not included in the above commitments are contingent rental payments which may arise in the event that units produced by certain leased assets exceed a pre-determined production capacity. The contingent rental payable is 1% of sales revenue from the excess production.

AASB-I115(5) A number of lease agreements for the retail stores include free fit-outs provided by the lessor as a lease incentive. The assets obtained by the group have been recognised as furniture and equipment at fair value and are depreciated over the shorter of their useful life or the lease term. The lease incentive is presented as part of the lease liabilities (see note 7(g)) and is reversed on a straight line basis over the lease term.

AASB117(35)(c) *Rental expense relating to operating leases*

	2017 $'000	2016 $'000
Minimum lease payments	**1,230**	1,530
Contingent rentals	**430**	-
Sub-leases	**290**	270
Total rental expense relating to operating leases	**1,950**	1,800

(c) Repairs and maintenance: investment property

	2017 $'000	2016 $'000
AASB140(75)(h) Contractual obligation for future repairs and maintenance – not recognised as a liability	**540**	389

Commitments

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

Arrangements containing a lease - payments cannot be separated

AASB-I4(15)(b)

1. Where an arrangement contains an operating lease but the lessee cannot reliably separate the payments, all payments under the arrangement must be treated as lease payments for the purpose of complying with the disclosure requirements in AASB 117. In addition, the lessee must:
   (a) disclose those payments separately from other lease payments that do not include non-lease elements
   (b) state that the payments include payments for non-lease elements.

19 Events occurring after the reporting period [1]

(a) Acquisition of Better Office Furnishings Limited [2]

AASB110(21)(a),(b) AASB3(59)(b) AASB3(B64),(B66)

On 15 February 2018 VALUE ACCOUNTS Holdings Limited acquired 87.5% of the issued shares in Better Office Furnishings Limited, a manufacturer of office furniture and 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 31 December 2017. The operating results and assets and liabilities of the acquired company will be consolidated from 15 February 2018.

(i) Purchase consideration

AASB3(B64)(f)

Details of the consideration transferred are:

	$'000
Purchase consideration	
Cash paid	**11,750**
Contingent consideration	**280**
Total purchase consideration	**12,030**

AASB3(B64)(i)

The provisionally determined fair values of the assets and liabilities of Better Office Furnishings Limited as at the date of acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	**575**
Property, plant and equipment	**12,095**
Intangible assets: customer list	**2,285**
Intangible assets: customer contracts	**1,180**
Inventories	**1,010**
Receivables	**685**
Payables	**(2,380)**
Employee benefit obligations	**(230)**
Borrowings	**(3,250)**
Net deferred tax assets	**420**
Net identifiable assets acquired	**12,390**
Less: non-controlling interests	**(1,720)**
Add: goodwill	**1,360**
Net assets acquired	**12,030**

AASB3(B64)(e),(k)

The goodwill is attributable to Better Office Furnishings Limited's strong position and profitability in trading in the office furniture and equipment market and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

(a) Acquisition of Better Office Furnishings Limited

(ii) Contingent consideration

AASB3(B64)(g) The contingent consideration arrangement requires the group to pay the former owners of Better Office Furnishings Limited 5% of the profit of Better Office Furnishings Limited, in excess of $4,000,000 for the year ending 31 December 2018, up to a maximum undiscounted amount of $800,000.

The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between $0 and $800,000. The fair value of the contingent consideration arrangement of $280,000 has been estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Better Office Furnishings Limited of $4,400,000 to $4,800,000.

(iii) Acquisition-related costs

AASB3(B64)(m) Acquisition-related costs of $750,000 will be included in other expenses in profit or loss in the reporting period ending 31 December 2018.

(iv) Non-controlling interest

AASB3(B64)(o) The group has chosen to recognise the non-controlling interest at its fair value for this acquisition. The fair value of the non-controlling interest in Better Office Furnishings Limited, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

(a) an assumed discount rate of 8%

(b) an assumed terminal value based on a range of terminal EBITDA multiples between three and five times

(c) long-term sustainable growth rate of 2%

(d) assumed financial multiples of companies deemed to be similar to Better Office Furnishings Limited, and

(e) assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of non-controlling interest in Better Office Furnishing Limited.

(v) Information not disclosed as not yet available

AASB3(B66) At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Better Office Furnishings Limited. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

(b) Refinancing of borrowing

AASB110(21) At the beginning of February, 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.

AASB139(40),(AG62) The facility is now repayable in three annual instalments, commencing 1 June 2023. As the terms and conditions of the facility remained largely unchanged, the refinancing will not result in the recognition of a settlement gain or loss.

(c) Other events

AASB110(21) Please refer to note 13(b) for the final dividend recommended by the directors, to be paid on 10 April 2018.

Events occurring after the reporting period

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

Reference	Issue not illustrated	Relevant disclosures or references
AASB110(21),(22)(c) AASB3(B64)	Business combination disclosures	Information about acquired receivables, recognised or unrecognised contingent liabilities, equity instruments issued or issuable, transactions that are recognised separately from the business combination, a bargain purchase and business combinations achieved in stages.
AASB110(21),(22)(c) AASB5(12),(41)(a),(b),(d)	Discontinued operations or assets held for sale where the criteria as held for sale were met after the end of the reporting period	Provide a description of the non-current asset or disposal group, the facts and circumstances and expected timing of the sale or disposal and the reportable segment in which the asset(s) are presented (where applicable).
AASB101(76)	Events that occurred after the reporting date and which would have affected the classification of a loan as current had they occurred before the end of the reporting period	The following events may require disclosures: - refinancing on a long-term basis - rectification of a breach of a long-term agreement, and - the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least twelve months after the reporting period.

Pro-forma balance sheets to disclose post-balance date business combinations

ASIC2015/842

2. To illustrate the financial effect of material acquisitions and disposals of entities or operations after the reporting period, an entity may wish to present a pro-forma balance sheet in the notes to the financial statements. While *the Corporations Act 2001* does not generally permit pro-forma financial statements to be included in a financial report, ASIC has given relief in these particular circumstances, provided certain conditions set out in *ASIC Corporations (Post Balance Date Reporting) Instrument* 2015/842 are satisfied.

Other information

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.

20 Related party transactions [1-2,4,12-13]

(a) Parent entities

AASB101(138)(c) The group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2017	Ownership interest 2016 [9,10]
Lion (Australia) Limited	Immediate and ultimate Australian parent entity	Australia	**60%**	63.7%
Lion AG	Ultimate parent entity and controlling party	Germany	**60% ***	63.7% *

AASB124(13), (Aus13.1)(a),(b) AASB101(138)(c) — Lion (Australia) Limited
AASB124(13) AASB101(138)(c) — Lion AG

* Lion AG holds 100% of the issued ordinary shares of Lion (Australia) Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 16(a).

AASB124(17)

(c) Key management personnel compensation [3]

		2017 $ [11]	2016 $ [9]
AASB124(17)(a)	Short-term employee benefits	**2,332,619**	2,103,464
AASB124(17)(b)	Post-employment benefits	**179,953**	161,541
AASB124(17)(c)	Long-term benefits	**39,530**	32,719
AASB124(17)(d)	Termination benefits	**115,500**	-
AASB124(17)(e)	Share-based payments	**704,942**	547,753
		3,372,544	2,845,477

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 29.[3]

AASB124(18)(b) In addition to the above, the group is committed to pay the CEO and the CFO up to $250,000 in the event of a change in control of the group. [7,8]

AASB124(18)

(d) Transactions with other related parties [6]

AASB124(18)(a) The following transactions occurred with related parties:

		2017 $ [11]	2016 $ [9]
	Sales and purchases of goods and services		
AASB124(19)(d)	Sale of goods to associates	**125,222**	-
AASB124(19)(a)	Purchase of management services from parent	**450,000**	370,000
AASB124(19)(g)	Purchases of electronic equipment from other related parties	**182,232**	78,300
AASB124(19)(f)	Purchases of various goods and services from entities controlled by key management personnel (i) [7,8]	**764,265**	576,020
	Dividend revenue		
AASB124(19)(g)	Other related parties	**150,000**	300,000
	Superannuation contributions [5]		
AASB124(19)(g)	Contributions to superannuation funds on behalf of employees *	**3,719,333**	3,287,543

* see note 8(g) for information about VALUE ACCOUNTS Holdings Limited shares held by the group's defined benefit plan and property owned by the plan that is occupied by the group.

AASB124(18)	**(d) Transactions with other related parties**		
		2017 $ [11]	2016 $ [9]
	Other transactions		
AASB124(19)(a)	Dividends paid to the Australian parent entity	**13,313,400**	6,553,200
AASB124(19)(a)	Final call on partly paid ordinary shares paid by the Australian parent entity (note 9(a))	**840,321**	-
AASB124(19)(a)	Subscriptions for new ordinary shares by the Australian parent entity (note 9(a))	**4,626,422**	-
AASB124(19)(f)	Subscription for new ordinary shares by key management personnel as a result of the rights issue (note 9(a)) [7,8]	**118,096**	-

(i) *Purchases from entities controlled by key management personnel* [7,8]

AASB124(18) 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.

For detailed disclosures please refer to the remuneration report on page 27.

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

AASB124(18)(b) The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

		2017 $ [11]	2016 $ [9]
	Current payables (purchases of goods and services)		
AASB124(19)(a)	Lion (Australia) Limited (parent entity)	**58,200**	73,000
AASB124(19)(f)	Entities controlled by key management personnel	**196,375**	91,294
AASB124(19)(g)	Other related parties	**265,327**	94,300

(f) Loans to/from related parties

AASB124(19)(f)	*Loans to key management personnel* [7]		
AASB124(18)(b)	Beginning of the year	**606,300**	502,700
AASB124(18)(a)	Loans advanced	**220,000**	150,000
AASB124(18)(a)	Loan repayments received	**(108,850)**	(46,400)
AASB124(18)(a)	Interest charged	**56,929**	41,275
AASB124(18)(a)	Interest received	**(56,929)**	(41,275)
AASB124(18)(b)	End of year	**717,450**	606,300
AASB124(19)(g)	*Loans to other related parties*		
AASB124(18)(b)	Beginning of the year	**700,000**	600,000
AASB124(18)(a)	Loans advanced	**1,000,400**	600,400
AASB124(18)(a)	Loan repayments received	**(400,300)**	(500,400)
AASB124(18)(a)	Interest charged	**81,450**	62,130
AASB124(18)(a)	Interest received	**(81,450)**	(62,130)
AASB124(18)(b)	End of year	**1,300,100**	700,000
AASB124(19)(a)	*Loans from Lion (Australia) Limited (parent entity)*		
AASB124(18)(b)	Beginning of the year	**4,000,000**	-
AASB124(18)(a)	Loans advanced	**7,150,000**	4,100,000
AASB124(18)(a)	Loan repayments made	**(2,050,000)**	(100,000)
AASB124(18)(a)	Interest charged	**185,400**	104,900
AASB124(18)(a)	Interest paid	**(185,400)**	(104,900)
AASB124(18)(b)	End of year	**9,100,000**	4,000,000

(f) Loans to/from related parties

		2017 $ [11]	2016 $ [9]
AASB124(19)(d)	*Loans from associates*		
AASB124(18)(b)	Beginning of the year	**-**	-
AASB124(18)(a)	Loans advanced	**6,285,230**	800,220
AASB124(18)(a)	Loan repayments made	**(200,000)**	(800,220)
AASB124(18)(a)	Interest charged	**245,450**	84,830
AASB124(18)(a)	Interest paid	**(245,450)**	(84,830)
AASB124(18)(b)	End of year	**6,085,230**	-

AASB124(18)(c),(d) There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

(g) Terms and conditions [10]

AASB124(18)(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 Holdings Limited for a period of two years with an interest rate of 8% per annum. This loan is repayable in full on 30 March 2018.

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% (2016 – 10% to 24%). All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. The average interest rate on the other loans during the year was 9.5% (2016 – 9.75%).

AASB124(18)(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 124 that is relevant to VALUE ACCOUNTS Holdings Limited 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

AASB101(7)

2. The disclosures required by AASB 124 apply to the financial statements when the information is material. According to AASB 101 *Presentation of Financial Statements,* 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.

Key management personnel compensation

3. While the disclosures under AASB 124 paragraph 17 are subject to materiality, this must be determined based on both quantitative and qualitative factors. In our view, it will not be appropriate to omit the aggregate compensation disclosures based on materiality. Whether it will be possible to satisfy the disclosure by reference to another document such as a remuneration report will depend on local regulation. AASB 124 itself does not specifically permit such cross-referencing.

Related party transactions

Related party definition

AASB124(9)
AASB124(IE4)-(IE26)

4. 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.

AASB124(12)

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

Superannuation plans

AASB124(9)(b)(v)
AASB119(151)

5. 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 as per the definition in AASB 124 paragraph 9. 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.

Transactions with related parties

AASB124(9),(21)
AASB137(3)

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.

Transactions with KMP

AASB124(18)

7. The notes to the financial statements must provide aggregate information about transactions with KMPs and loans made to KMPs, in addition to the detailed disclosures required in the remuneration report. Entities cannot satisfy disclosure requirements of accounting standards by reference to documents outside the financial report.

CR2M.3.03(3B)

8. The *Corporations Regulations 2001* provide an exception for transactions with KMPs that are either trivial or domestic or were undertaken on an arm's length basis. However, this exception only applies to the remuneration report and does not apply to the disclosures in the notes to the financial statements. Instead, the disclosures required under paragraph 18 of AASB 124 are subject to materiality, which should be assessed from both the entity's and the individual's perspective. The amount of detail that will need to be disclosed in the notes will depend on the type of business and the volume of the relevant transactions.

Related party transactions

Comparatives

AASB101(38)

9. AASB 124 is silent on comparatives. Under AASB 101 *Presentation of Financial Statements* comparative information must be provided for all amounts reported in the financial statements, except when a standard provides otherwise, which is not the case with AASB 124. As the notes are part of the financial statements (see AASB 101(10)), comparative information should be included for all amounts that provide further analysis of the line items in the financial statements.
10. AASB 101 further states that comparative information should also be provided for narrative and descriptive information when 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(n) for further information.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

12. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosures or references
AASB124(18),(18A)	KMP services are provided by a separate management entity	Disclose fee paid to the management entity for the KMP services and any other transactions with that entity.
AASB124(25)-(27)	The entity applies the exemption for government related entities.	Provide the information required by AASB 124 (25) – (27).
	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.
UIG1052(59)	A wholly-owned entity is part of a tax consolidated group The head entity in a tax consolidated group prepares separate financial statements.	Transactions with related party as a result of the tax consolidation regime will need to be disclosed, including: • tax amounts assumed by the head entity • amounts payable/receivable under a tax funding or tax sharing agreement • equity contributions or distributions Where the tax consolidated group includes entities that are not controlled by the parent entity (multiple-entry consolidated or MEC group), transactions with entities that are subject to common control must be separately disclosed.

AASB2015-6

13. Commencing 1 July 2016, not-for-profit public sector entities must now also comply with the requirements in AASB 124. Australian-specific implementation guidance has been added to the standard for these entities.

21 Share-based payments [2,3]

(a) Employee Option Plan

AASB2(44),(45)(a)

The establishment of the VALUE IFRS Employee Option Plan was approved by shareholders at the 2012 annual general meeting. 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 which only vest if certain performance standards 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.

The amount of options that will vest depends on VALUE ACCOUNTS Holdings Limited's total return to shareholders (TSR), including share price growth, dividends and capital returns, ranking within a peer group of 20 selected companies that are listed on the Australian Stock Exchange over a three year period. 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 fourteen days after the release of the half-yearly and annual financial results of the group to the market.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the week up to and including the date of the grant.

Set out below are summaries of options granted under the plan:

AASB2(45)(b)(i),(ii),(iii),(iv),(vii)

	2017		2016	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
As at 1 January	**$5.55**	**2,056,000**	$5.33	1,688,000
Granted during the year	**$6.18**	**818,000**	$5.78	814,000
Exercised during the year *	**$5.28**	**(228,000)**	**-**	**-**
Forfeited during the year	**$5.71**	**(445,000)**	$5.12	(446,000)
As at 31 December	**$5.78**	**2,201,000**	$5.55	2,056,000
Vested and exercisable at 31 December	**$5.28**	**263,000**	-	-

AASB2(45)(c)

* The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2017 was $6.35 (2016 – not applicable).

AASB2(45)(b)(v)

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

AASB2(45)(b)(vi),(d)

Grant Date	**Expiry date**	**Exercise price**	**Share options 31 December 2017**	Share options 31 December 2016
1 November 2014	30 October 2019	$5.28	263,000	546,000
1 November 2015	30 October 2020	$5.51	569,000	709,000
1 November 2016	30 October 2021	$5.78	641,000	801,000
1 November 2017	30 October 2022	$6.18	728,000	-
Total			2,201,000	2,056,000
Weighted average remaining contractual life of options outstanding at end of period			3.67 years	3.96 years

(a) Employee option plan

(i) Fair value of options granted

AASB2(46),(47)(a)(i) The assessed fair value at grant date of options granted during the year ended 31 December 2017 was $1.80 per option (2016 – $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, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

AASB2(47)(a)(i) The model inputs for options granted during the year ended 31 December 2017 included:

(a) options are granted for no consideration and vest based on VALUE ACCOUNTS Holdings Limited's TSR ranking within a peer group of 20 selected companies over a three year period. Vested options are exercisable for a period of two years after vesting

(b) exercise price: $6.18 (2016 – $5.78)

(c) grant date: 1 November 2017 (2016 – 1 November 2016)

(d) expiry date: 30 October 2022 (2016 – 30 October 2021)

(e) share price at grant date: $6.12 (2016 – $5.83)

(f) expected price volatility of the company's shares: 35% (2016 – 30%)

(g) expected dividend yield: 3.8% (2016 – 3.2%)

(h) risk-free interest rate: 6% (2016 – 5.5%)

AASB2(47)(a)(ii) The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(b) Deferred shares – executive short-term incentive scheme

AASB2(45)(a) Under the group's short-term incentive (STI) scheme, executives receive 50% of the annual STI achieved in cash and 50% in the form of rights to deferred shares of VALUE ACCOUNTS Holdings Limited. The rights are granted on the 28 February of the following year and vest after two years from the grant date. They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period. If an executive ceases to be employed by the group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

The deferred shares are administered by the VALUE IFRS Employee Share Trust. This trust is consolidated in accordance with note 25(b)(i). The shares are acquired on market at the grant date and are held as treasury shares until such time as they are vested. Forfeited shares are reallocated in subsequent grants. Under the terms of the trust deed, VALUE ACCOUNTS Holdings Limited is

AASB12(14),(17) required to provide the trust with the necessary funding for the acquisition of the shares at the time of the grant.

AASB2(47)(b) The number of rights to be granted is determined based on the currency value of the achieved STI divided by the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the week up to and include the date of the grant ($5.94 for the rights granted in February 2017 and $6.08 for the rights granted in 2016).

	2017	2016
Number of rights to deferred shares granted on 28 February 2017 (28 February 2016)	**57,636**	52,364
Fair value of rights at grant date	**$5.50**	$5.71

AASB2(47)(b) The fair value of the rights at grant date was estimated by taking the market price of the company's shares on that date less the present value of expected dividends that will not be received by the executives on their rights during the two year vesting period.

(b) Deferred shares – executive short-term incentive scheme

(i) Net settlement feature for withholding tax obligations [Disclosure retained for illustrative purposes only, not applicable under the Australian taxation regime]

AASB2(44),(45(a)

Under Oneland tax law, VALUE IFRS Plc must withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount in cash to the tax authority on the employee's behalf. The deferred shares granted under the group's STI scheme include a net settlement feature under which the trust withholds shares in order to settle the employee's tax obligations.

In previous years, the full number of shares were initially issued to the employees with the trust subsequently selling the required number of shares on-market on behalf of the employees to settle the tax obligation. This allowed the entire award to be accounted for as an equity-settled award.

In 2017, the group has taken advantage of the exception introduced by the amendments to IFRS 2 (see note 25(a)(iii) below) and is now settling the deferred share grant on a net basis by withholding the number of shares with a fair value equal to the monetary value of the employee's tax obligation and only issuing the remaining shares on completion of the vesting period. This reduces the dilutive impact of the deferred share scheme.

(c) Employee share scheme

AASB2(44),(45)(a)

A scheme under which shares may be issued by the company to employees for no cash consideration was approved by shareholders at the 2013 annual general meeting. All Australian resident permanent employees (excluding executive directors, other key management personnel of the group and the group company secretary) who have been continuously employed by the group for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Since the current reporting period, the employee share scheme is also administered by the VALUE IFRS Employee Share Trust. This Trust is consolidated in accordance with note 25(b)(i).

Shares issued by the trust to the employees are acquired on-market prior to the issue. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements (see note 9(b)).

AASB2(47)(b)

AASB2(46)

Under the scheme, eligible employees may be granted up to $1,000 worth of fully paid ordinary shares in VALUE ACCOUNTS Holdings Limited annually for no cash consideration. The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the week up to and including the date of grant. The shares are recognised at the closing share price on the grant date (grant date fair value) as an issue of treasury shares by the trust (in 2016 as share capital) and as part of employee benefit costs in the period the shares are granted.

Offers under the scheme are at the discretion of the company, and no offer may be made unless annual profit growth in the financial year prior to the date of the offer was at least 3% greater than the increase in the consumer price index.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment by the group. In all other respects the shares rank equally with other fully-paid ordinary shares on issue (refer to note 9(a)).

		2017	2016
AASB2(45)(a)	Number of shares issued under the plan to participating employees on 1 June 2017 (2 June 2016)	**145,902**	142,857

AASB2(47)(b)

Each participant was issued with shares worth $1,000 based on the weighted average market price of $6.42 (2016 – $5.50). The shares had a grant date fair value of $6.18 (2016 – $5.59).

(d) Share appreciation rights

AASB2(44),(45)(a)

In September 2017, the remuneration committee decided to reward divisional managers for their contribution to the performance of the group by granting them 200,000 share appreciation rights (SARs). 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 VALUE ACCOUNTS Holdings Limited's share price between the grant date (25 September 2017: $5.43) and the vesting date (25 September 2020). The rights must be exercised on vesting date and will expire if not exercised on that date.

AASB2(46)

The fair value of the SARs was determined using the Black-Scholes model using the following inputs as at 31 December 2017:

		31 December 2017
	Share price at measurement date	**$6.19**
	Expected volatility	**32%**
	Dividend yield	**3.8%**
	Risk-free interest rate	**6%**
AASB2(51)(b)(i)	Carrying amount of liability – included in employee benefit obligations (note 8(g)) [1]	**$138,073**

AASB2(51)(b)(ii)

There were no SARs granted in prior years and none of the SARs had vested as at 31 December 2017.

(e) Expenses arising from share-based payment transactions

AASB2(50),(51)(a)

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

		2017 $ [1]	2016 $
ASIC2016/191	Options issued under employee option plan	**895,912**	329,784
	Deferred shares issued under the short-term incentive scheme	**220,124**	225,344
	Shares issued under employee share scheme	**902,119**	797,845
	Share appreciation rights	**138,073**	-
		2,156,228	1,352,973

Share-based payments

Rounding

ASIC2016/191

1. Under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* amounts disclosed in relation to share-based payment transactions can only be rounded to the nearest $1,000 for entities with total assets of more than $1,000m. Refer to Appendix A(n) for further information.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

Fair value of goods or services received, or of equity instruments granted

2. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosures or references
AASB2(47)(c)	Modification of share-based payment arrangements	Explain the modifications, disclose the incremental fair value granted and how this was measured (see below).
AASB2(49)	Rebuttal of the presumption that the fair value of goods of services received from parties other than employees can be measured reliably	Disclose that fact and explain why the presumption was rebutted.
AASB2(52)	The information disclosed does not satisfy the principles in AASB 2 paragraphs 44, 46 and 50	Provide additional information as necessary.

3. The following illustrative disclosure may be useful where relevant to an entity:

Modification of share-based payment arrangements

AASB2(47)(c)

In May 2017, VALUE ACCOUNTS Holdings Limited increased the vesting period for the employee share options granted in October 2016 from three to five years and reduced the exercise price to $4.00 to reflect the recent fall in the company's share price. The fair value of the options at the date of the modification was determined to be $2.05. The incremental fair value of $0.25 will be recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original option grant will continue to be recognised as if the terms had not been modified.

The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs: [provide details].

2X Remuneration of auditors [1-4,8-11,13]

AASB1054(10)

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Reference		2017 $[12]	2016 $[12]
	(a) PricewaterhouseCoopers Australia		
	(i) Audit and other assurance services		
AASB1054(10)(a)	Audit and review of financial statements	**197,900**	186,300
AASB1054(10)(b),(11)	Other assurance services		
	Audit of regulatory returns	**24,900**	24,500
	Due diligence services	**-**	10,300
	Total remuneration for audit and other assurance services	**222,800**	221,100
AASB1054(10)(b),(11)	*(ii) Taxation services*		
	Tax compliance services	**25,000**	23,700
	International tax consulting and tax advice on mergers and acquisitions	**20,200**	17,500
	Total remuneration for taxation services	**45,200**	41,200
AASB1054(10)(b),(11)	*(iii) Other services*		
	Remuneration advice (including remuneration recommendation)	**40,500**	29,200
	Benchmarking services	**12,300**	-
	Total remuneration for other services	**52,800**	29,200
	Total remuneration of PricewaterhouseCoopers Australia	**320,800**	291,500
	(b) Network firms of PricewaterhouseCoopers Australia [5-7]		
	(i) Audit and other assurance services		
AASB1054(10)(a)	Audit and review of financial statements	**121,000**	119,000
AASB1054(10)(b),(11)	Other assurance services		
	Audit of regulatory returns	**6,300**	5,500
	Total remuneration for audit and other assurance services	**127,300**	124,500
AASB1054(10)(b),(11)	*(ii) Other services*		
	Benchmarking services	**5,500**	7,200
	Total remuneration of network firms of PricewaterhouseCoopers Australia	**132,800**	131,700
	(c) Non PricewaterhouseCoopers audit firms		
AASB1054(10)(a)	*(i) Audit and other assurance services*		
	Audit and review of financial statements	**45,000**	-
AASB1054(10)(b),(11)	*(ii) Other services*		
	Legal services	**7,500**	10,900
	Total remuneration of non-PricewaterhouseCoopers audit firms	**52,500**	10,900
	Total auditors' remuneration	**506,100**	434,100

It is the group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers's expertise and experience with the group are important. These assignments are principally tax advice and due diligence on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the group's policy to seek competitive tenders for all major consulting projects.

Remuneration of auditors

Audit remuneration disclosure requirements

AASB1054(10)

1. Under AASB 1054 *Australian Additional Disclosures* entities must disclose fees to each auditor or reviewer, including any network firm, separately for:
   (a) the audit or review of the financial statements, and
   (b) all other services performed during the period.

Example disclosures exceed the requirements of AASB 1054

AASB1054(11)

2. Unlike the previous rules in AASB 101 *Presentation of Financial Statements*, it is no longer necessary to disclose separately the nature and amount of fees paid for each non-audit service. Instead, it is sufficient if an entity provides an aggregate amount for non-audit fees by auditor, together with a narrative explanation about the nature of the non-audit services provided.
3. However, PwC supports enhanced disclosure and transparency of remuneration paid or payable to auditors for both audit and non-audit services in the financial statements of publicly listed entities. The sample disclosures in note 2X therefore exceed the requirements in AASB 1054 in the following respects:
   (a) we have retained the breakdown of the fees paid for non-audit services by type of service, and
   (b) the paragraph at the foot of the note concerning the group's policy for the employment of the auditors for non-audit services is not required by AASB 1054.
4. It is further not clear whether a separate disclosure of fees paid to network firms is strictly required under AASB 1054. However, we believe that this information is relevant for users and therefore continue to provide a breakdown of fees paid directly to PwC Australia and fees paid to our network firms.

Network firm

AASB1054(BC7)

5. The notion of a network firm is taken from APES 110 *Code of Ethics for Professional Accountants* issued by Accounting and Professional Ethical Standards Board (APESB). The AASB decided not to define network firm or provide explanatory material for the purposes of AASB 1054 on the basis that the notion is generally understood.

APES110(2)

6. 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.
7. Further guidance on networks and network firms can be found in paragraphs 290.13 to 290.24 of APES 110.

Joint venture operation

8. The shares of auditor's remuneration relating to joint venture operations should be included.

Amounts paid or payable by another entity

9. Where an amount is paid or payable by another entity (eg 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)

10. 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.

Remuneration of auditors

11. 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, eg by adding the words ''including non-recoverable GST'' to the relevant captions.

Rounding

ASIC2016/191

12. 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. See Appendix A(n) for further information

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

Network firm of subsidiary auditors

AASB1054(10)

13. Where applicable, entities must also disclose the fees paid for audit and non-audit services provided by a network firm of the auditors of any of the subsidiaries.

22 Earnings per share [1]

		2017 Cents	2016 Cents
	(a) Basic earnings per share		
	From continuing operations attributable to the ordinary equity holders of the company	**55.2**	44.5
AASB133(68)	From discontinued operation	**1.2**	0.7
	Total basic earnings per share attributable to the ordinary equity holders of the company	**56.4**	45.2
	(b) Diluted earnings per share		
	From continuing operations attributable to the ordinary equity holders of the company	**54.2**	44.3
AASB133(68)	From discontinued operation	**1.2**	0.7
	Total diluted earnings per share attributable to the ordinary equity holders of the company	**55.4**	45.0

(c) Reconciliations of earnings used in calculating earnings per share

		2017 $'000	2016 $'000
AASB133(70)(a)	*Basic earnings per share*		
	Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
	From continuing operations	**33,531**	26,296
	From discontinued operation	**755**	399
		34,286	26,695
AASB133(70)(a)	Diluted earnings per share		
	Profit from continuing operations attributable to the ordinary equity holders of the company:		
	Used in calculating basic earnings per share	**33,531**	26,296
AASB133(70)(a)	Add: interest savings on convertible notes	**435**	-
	Used in calculating diluted earnings per share	**33,966**	26,296
	Profit from discontinued operation	**755**	399
	Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**34,721**	26,695

(d) Weighted average number of shares used as the denominator

		2017 Number	2016 Number
AASB133(70)(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**60,807,309**	59,100,304
AASB133(70)(b)	Adjustments for calculation of diluted earnings per share:		
	Amounts uncalled on partly paid shares and calls in arrears	**101,082**	90,512
	Options	**166,100**	87,361
	Deferred shares	**101,040**	82,358
	Convertible notes	**1,455,996**	-
AASB133(70)(b)	Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**62,631,527**	59,360,535

(e) Information concerning the classification of securities

(i) Partly paid ordinary shares

AASB133(72)

Partly paid ordinary shares carry the right to participate in dividends in proportion to the amount paid relative to the total issue price. To that extent they have been recognised as ordinary share equivalents in the determination of basic earnings per share. Amounts uncalled on partly paid shares and calls in arrears are treated as the equivalent of options to acquire ordinary shares and are included as potential ordinary shares in the determination of diluted earnings per share.

(ii) Options

AASB133(72)

Options granted to employees under the VALUE IFRS Employee Option Plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required TSR hurdles would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 21.

AASB133(70)(c)

The 818,000 options granted on 1 November 2017 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2017. These options could potentially dilute basic earnings per share in the future.

(iii) Deferred shares

AASB133(46),(72)

Rights to deferred shares granted to executives under the group's short-term incentive scheme are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. Further information about the rights is provided in note 21.

(e) Information concerning the classification of securities

(iv) Convertible notes

AASB133(72)
Convertible notes issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The notes have not been included in the determination of basic earnings per share. Details relating to the notes are set out in note 7(g).

(v) 7% non-redeemable participating preference shares

AASB133(72)
The 7% non-redeemable participating preference shares were classified as equity and were a separate category of ordinary shares for the purposes of determining earnings per share, rather than potential ordinary shares. The shares were bought back and cancelled during the year (see note 9(a)). They have not been included in the determination of basic or diluted earnings per share as no shares were on issue at year end in this category of ordinary shares.

(vi) 6% cumulative redeemable preference shares

AASB133(72)
The 6% cumulative redeemable preference shares are not ordinary or potential ordinary shares and have not been included in the determination of basic and diluted earnings per share. These shares are classified as liabilities (see note 7(g)).

Earnings per share

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosures or references
AASB133(70)(d)	Share transactions after the end of the reporting period	Provide a description of material share transactions that occurred after the end of the reporting period and that were not retrospectively adjusted in the calculation of EPS.
AASB133(73)	EPS based on alternative earnings	Indicate the basis on which the alternative earnings are determined, including whether the amounts are before or after tax. Provide a reconciliation between the earnings used and a line item that is reported in the statement of comprehensive income, where necessary.
AASB101(112)(c)	Major capital restructuring	Consider providing appropriate explanations in the notes where the restructuring had a significant impact on the EPS information that was calculated in accordance with the requirements of AASB 133.
AASB133(64)	The number of ordinary or potential ordinary shares changes as a result of a capitalisation, bonus issue, share split or reverse share split	Retrospectively adjust the calculation of basic and diluted EPS for all periods presented and explain the changes made. This applies regardless of whether the change occurred during the reporting period or after the end of the period before the financial statements are authorised for issue.

23 Offsetting financial assets and financial liabilities [1-4,7]

AASB132(42)
AASB7(13A),(13B)

Financial assets and liabilities are offset and the net amount reported in the balance sheet where VALUE ACCOUNTS Holdings Limited currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. VALUE ACCOUNTS Holdings Limited has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2017 and 31 December 2016. The column 'net amount 'shows the impact on the group's balance sheet if all set-off rights were exercised.

AASB7(13C)

	Effects of offsetting on the balance sheet			Related amounts not offset		
2017	**Gross amounts**	**Gross amounts set off in the balance sheet**	**Net amounts presented in the balance sheet**	**Amounts subject to master netting arrange-ments**	**Financial instrument collateral**	**Net amount**
Financial assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents (c)	**57,098**	**-**	**57,098**	**-**	**(24,678)**	**32,420**
Trade and other receivables (a)(i),(c)	**18,329**	**(999)**	**17,330**	**-**	**(12,410)**	**4,920**
Financial assets at FVPL (c)	**11,300**	**-**	**11,300**	**-**	**(11,300)**	**-**
Other financial assets (a)(ii)	**1,000**	**(1,000)**	**-**	**-**	-	**-**
Derivative financial instruments (b),(c)	**2,162**	**-**	**2,162**	**(308)**	**(1,088)**	**766**
Total	**89,889**	**(1,999)**	**87,890**	**(308)**	**(49,476)**	**38,106**
Financial liabilities						
Trade payables (a)(i)	**12,589**	**(999)**	**11,590**	**-**	**-**	**11,590**
Borrowings (a)(ii),(c)	**101,444**	**(1,000)**	**100,444**	**-**	**(52,726)**	**47,718**
Derivative financial instruments (b)	**1,376**	**-**	**1,376**	**(308)**	**-**	**1,068**
Total	**115,409**	**(1,999)**	**113,410**	**(308)**	**(52,726)**	**60,376**
2016						
Financial assets						
Cash and cash equivalents (c)	31,268	-	31,268	-	(11,154)	20,114
Trade and other receivables (a)(i),(c)	11,317	(450)	10,867	-	(9,542)	1,325
Financial assets at FVPL (c)	10,915	-	10,915	-	(10,915)	-
Other financial assets (a)(ii)	1,000	(1,000)	-	-	-	-
Derivative financial instruments (b),(c)	2,129	-	2,129	(621)	(640)	868
Total	56,629	(1,450)	55,179	(621)	(32,251)	22,307
Financial liabilities						
Trade payables (a)(i)	9,670	(450)	9,220	-	-	9,220
Borrowings (a)(ii),(c)	89,080	(1,000)	88,080	-	(32,251)	55,829
Derivative financial instruments (b)	1,398	-	1,398	(621)	-	777
Total	100,148	(1,450)	98,698	(621)	(32,251)	65,826

(a) Offsetting arrangements

(i) Trade receivables and payables

AASB7(13B)

VALUE IFRS Manufacturing Limited gives volume-based rebates to selected wholesalers. Under the terms of the supply agreements, the amounts payable by VALUE IFRS Manufacturing Limited are offset against receivables from the wholesalers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet.

(ii) Borrowings

AASB7(13B)

VALUE ACCOUNTS Holdings Limited is required to maintain cash on deposit of $1,000,000 in respect of certain borrowings. The cash cannot be withdrawn or used by the company for liquidity purposes whilst the borrowing is outstanding. Upon maturity of the borrowing, the company and the lender intend to net settle. As a result, VALUE ACCOUNTS Holdings Limited's borrowings have been presented net of the cash on deposit, as the requirements under Australian Accounting Standards to offset have been met.

(b) Master netting arrangements – not currently enforceable [5]

AASB7(13E),(B50)

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As VALUE ACCOUNTS Holdings does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

(c) Collateral against borrowings [6]

AASB7(13C)

VALUE ACCOUNTS Holdings Limited has pledged financial instruments as collateral against a number of its borrowings. Refer to note 24 for further information on financial and non-financial collateral pledged as security against borrowings.

Offsetting financial assets and financial liabilities

Scope

1. Because of the broad scope of the offsetting requirements, the disclosures are relevant not only to financial institutions but also corporate entities.

AASB7(13A),(B40)

AASB132(50)

2. The offsetting disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with paragraph 42 of AASB 132. While there is no definition of ''master netting arrangement'', a master netting arrangement will commonly:
   (a) provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract
   (b) be used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations, and
   (c) create a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

AASB7(B41)

3. The offsetting disclosures do not apply to arrangements, such as:
   (a) financial instruments with only non-financial collateral agreements
   (b) financial instruments with financial collateral agreements but no other rights of set-off, and
   (c) loans and customer deposits with the same financial institution, unless they are set off in the balance sheet.

Location of disclosures

AASB7(13F)

4. Where the disclosures are provided in more than one note to the financial statements, cross references between the notes shall be included. Entities with significant offsetting arrangements should consider including this information more prominently, for example together with the information about financial risk management or as part of their financial assets/financial liabilities disclosures.

Master netting without offsetting

AASB7(36)(b)

5. An entity may have entered into one or more master netting arrangements that serve to mitigate its exposure to credit loss but do not meet the criteria for offsetting. When a master netting arrangement significantly reduces the credit risk associated with financial assets not offset against financial liabilities with the same counterparty, the entity must provide additional information concerning the effect of the arrangement.

Collateral arrangements

AASB7(13C)(d),(B41)

6. Where an entity has pledged financial instruments (including cash) as collateral, this is only required to be disclosed as part of the offsetting disclosures where there are other set off arrangements currently in place in relation to the same instrument(s). That is, disclosure is not required where the only potential effect of the set off relates to a collateral agreement. VALUE ACCOUNTS Holdings Limited illustrates an example where cash has been set off against borrowings held by the entity. As a result, it is required to disclose other financial instrument collateral provided in relation to this borrowing.

Offsetting financial assets and financial liabilities

Cash pooling arrangements

AASB132(42)

7. Some groups have cash pooling arrangements in place whereby cash surpluses and overdrafts residing in an entity's or group's various bank accounts are pooled together to create a net surplus or overdraft. The IFRS Interpretations Committee considered these arrangements in April 2016 and concluded that positive cash balances and overdrafts cannot be offset to the extent that the entity does not intend to settle the period end balances on a net basis. Some arrangements are unlikely to satisfy the offsetting requirements in AASB 132 unless the balances are settled or transferred into a netting account as at the reporting date.

24 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

		Notes	**2017 $'000**	2016 $'000
	Current			
	Transferred receivables		**3,250**	-
	Floating charge			
AASB7(14)(a)	Cash and cash equivalents	7(e)	**24,678**	11,154
AASB7(14)(a)	Receivables	7(a)	**12,410**	9,542
AASB7(14)(a)	Financial assets at fair value through profit or loss	7(d)	**11,300**	10,915
AASB7(14)(a)	Derivative financial instruments	12(a)	**1,088**	640
	Total current assets pledged as security		**52,726**	32,251
	Non-current			
	First mortgage			
AASB116(74)(a)	Freehold land and buildings	8(a)	**24,950**	23,640
AASB140(75)(g)	Investment properties	8(b)	**13,300**	10,050
			38,250	33,690
	Finance lease			
AASB116(74)(a)	Plant and equipment	8(a)	**2,750**	2,950
	Floating charge			
AASB7(14)(a)	Receivables – non-current	7(a)	**1,300**	700
AASB7(14)(a)	Available-for-sale financial assets	7(c)	**11,110**	5,828
AASB7(14)(a)	Held-to-maturity investments	7(b)	**1,210**	-
AASB7(14)(a)	Derivative financial instruments	12(a)	**308**	712
AASB116(74)(a)	Plant and equipment	8(a)	**6,150**	4,100
			20,078	11,340
	Total non-current assets pledged as security		**61,078**	47,980
	Total assets pledged as security		**113,804**	80,231

2Y Deed of cross guarantee [1-4,6-9]

ASIC2016/785
Revised requirement

VALUE ACCOUNTS Holdings Limited, VALUE IFRS Retail Limited and VALUE IFRS Development Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*. [2]

(a) Consolidated statement of profit or loss, statement of comprehensive income and summary of movements in consolidated retained earnings

ASIC2016/785.4

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by VALUE ACCOUNTS Holdings Limited, they also represent the 'extended closed group'.

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

Set out below is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 31 December 2017 of the closed group consisting of VALUE ACCOUNTS Holdings Limited, VALUE IFRS Retail Limited and VALUE IFRS Development Limited.

	2017 $'000	2016 $'000 [5]
Consolidated statement of comprehensive income		
Revenue from continuing operations	**121,706**	98,471
Other income	**4,385**	1,190
Cost of sales of goods	**(22,132)**	(28,337)
Cost of providing services	**(30,494)**	(20,823)
Other expenses from ordinary activities	**(32,029)**	(19,722)
Finance costs	**(4,200)**	(3,548)
Share of net profits of associates and joint ventures accounted for using the equity method	**450**	370
Profit before income tax	**37,686**	27,601
Income tax expense	**(9,778)**	(6,808)
Profit for the period	**27,908**	20,793
Other comprehensive income		
Items that may be reclassified to profit or loss		
Available for sale financial assets	**234**	(830)
Income tax relating to these items	**(70)**	249
Items that will not be reclassified to profit or loss		
Gain on revaluation of land and buildings	**3,532**	3,662
Actuarial (losses)/gains on retirement benefit obligation	**30**	(576)
Share of revaluation of land and buildings of associates and joint ventures	**300**	100
Income tax relating to these items	**(1,159)**	(956)
Other comprehensive income for the period, net of tax	**2,867**	1,649
Total comprehensive income for the period	**30,775**	22,443
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**16,663**	7,068
Profit for the period	**27,908**	20,793
Transfer from share capital on buy-back of preference shares	**143**	-
Actuarial (losses)/gains on retirement benefit obligation, net of tax	**21**	(403)
Depreciation transfer, net of tax	**224**	234
Dividends provided for or paid	**(22,837)**	(11,029)
Retained earnings at the end of the financial year	**22,122**	16,663

(b) Consolidated balance sheet

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

Set out below is a consolidated balance sheet as at 31 December 2017 of the closed group consisting of VALUE ACCOUNTS Holdings Limited, VALUE IFRS Retail Limited and VALUE IFRS Development Limited.

	2017 $'000	2016 $'000
Current assets		
Cash and cash equivalents	**46,175**	18,552
Trade and other receivables	**8,521**	5,483
Inventories	**9,968**	7,502
Financial assets at fair value through profit or loss	**5,085**	4,912
Derivative financial instruments	**490**	288
Total current assets	**70,239**	36,737
Non-current assets		
Receivables	**1,114**	621
Investments accounted for using the equity method	**3,775**	3,275
Available-for-sale financial assets	**11,110**	5,828
Held-to-maturity investments	**1,210**	-
Other financial assets	**12,890**	11,340
Property, plant and equipment	**69,443**	65,036
Investment properties	**13,300**	10,050
Derivative financial instruments	**139**	320
Deferred tax assets	**3,198**	2,104
Intangible assets	**11,048**	9,425
Total-non-current assets	**127,227**	107,999
Total assets	**197,466**	144,736
Current liabilities		
Trade and other payables	**9,910**	7,985
Borrowings	**4,041**	3,850
Derivative financial instruments	**275**	278
Current tax liabilities	**782**	503
Provisions	**1,423**	770
Total current liabilities	**16,431**	13,386
Non-current liabilities		
Borrowings	**65,728**	40,525
Deferred tax liabilities	**5,731**	2,987
Provisions	**1,549**	1,022
Retirement benefit obligations	**3,225**	1,532
Total non-current liabilities	**76,233**	46,066
Total liabilities	**92,664**	59,452
Net assets	**104,802**	85,284
Equity		
Contributed equity	**75,063**	63,426
Reserves	**7,617**	5,195
Retained earnings	**22,122**	16,663
Total equity	**104,802**	85,284

Deed of cross guarantee

Deed of cross guarantee

ASIC2016/785

1. *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* relieves a company of a specified class that is wholly-owned by an Australian company, a disclosing entity which is an Australian body corporate, or a registered foreign holding company, of the necessity to prepare a financial report and directors' report where the requirements of the instrument have been met. One of these requirements is that the holding entity and the subsidiaries have become parties to a deed of cross guarantee under which each of the entities guarantees the debts of the others.

ASIC Info Sheet 24

2. ASIC has provided guidance on the operation of the instrument on its web site, together with various pro forma documents, including a pro forma deed of cross guarantee (PF 24).

   The instrument was issued in September 2016 and replaced the previous class order 98/1418 for financial years ending on or after 1 January 2017. ASIC did not make any significant changes to the operation of the relief and, as a general rule, entities that have been relying on the relief under the previous class order should not be affected. Bodies that are regulated by APRA are no longer permitted to be a party to the deed of cross guarantee and will need to be removed, if necessary.

   If a group wants to join a company to a deed that was executed before the commencement of the new instrument, it will either need to execute a new deed, or vary the existing deed to reflect changes made to PF 24.

Recognition of financial liabilities

AASB139(9),(43)

3. Parent entities and subsidiaries that are party to a deed of cross guarantee should be aware that these guarantees are financial liabilities under AASB 139 and will have to be recognised at their fair value, if material.

ASIC2016/785.6(1)(u)

4. The instrument also requires the consolidated financial statements to include adequate provision in relation to the liabilities of any parties to the deed of cross guarantee (other than the trustee or alternative trustee) which are not consolidated where it is probable that those liabilities will not be fully met by those parties.

Comparatives

ASIC2016/785.4

5. Comparative information only needs to be provided if the holding entity was a holding entity in a deed of cross guarantee at any time during the immediately preceding reporting period.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

Extended closed group

ASIC2016/785.4

6. The extended closed group is defined in the instrument as "the closed group and any other bodies which are parties to the deed of cross guarantee and which are controlled by the holding entity". For the purposes of these illustrative financial statements, the holding entity is VALUE ACCOUNTS Holdings Limited. The instrument requires disclosure of the members of the closed group and, where applicable, the other members of the extended closed group.

Additional disclosure requirements for extended closed group and other parties to the deed

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

7. If the consolidated financial statements cover entities which are not parties to the deed of cross guarantee and the members of the extended closed group are not the same as the closed group, additional consolidated information must be included in the notes for:
   (a) the closed group (as illustrated in note 2Y), and
   (b) the holding entity and those entities which are parties to the deed of cross guarantee and controlled by the holding entity (ie VALUE ACCOUNTS Holdings Limited).

ASIC2016/785.4

   In the case of VALUE ACCOUNTS Holdings Limited, the parties to the deed are all members of the closed group. The information to be disclosed includes a statement of comprehensive income setting out the information specified by paragraphs 82-87 of AASB 101 *Presentation of Financial Statements*, opening and closing balances of retained earnings, dividends provided for or paid, transfers to and from reserves and a balance sheet complying with paragraphs 54 to 59 of AASB 101.

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

8. If there are any parties to the deed of cross guarantee (other than the trustee or alternative trustee) which are not controlled by the holding entity, the note disclosures shall also include a statement of comprehensive income and balance sheet (and retained earnings and dividend information) in respect of those parties (either individually or in aggregate). In the case of VALUE ACCOUNTS Holdings Limited, all the parties to the deed of cross guarantee are controlled by the holding entity (ie VALUE ACCOUNTS Holdings Limited).

Deed of cross guarantee

Disclosure of changes in parties to the deed of cross guarantee or eligible for the relief

SIC2016/785.6(1)(v)(iii),(iv)

9. Additional disclosures specified in instrument 2016/785 and not illustrated in note 2Y because they are not relevant to the parties to the VALUE ACCOUNTS Holdings Limited deed of cross guarantee which shall also be made, where relevant are:
   (a) details (including dates) of parties which, during or since the financial year, have been:
      (i) added by an assumption deed contemplated by the deed of cross guarantee
      (ii) removed by a revocation deed contemplated by the deed of cross guarantee, or
      (iii) the subject of a notice of disposal contemplated by the deed of cross guarantee, and
   (b) details (including dates and reasons) of any entities which obtained relief at the end of the preceding financial year, but which were ineligible for relief in respect of the current year.

2Z Parent entity financial information [8,9]

(a) Summary financial information

CR2M.3.01

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

		2017 $'000	2016 $'000
	Balance sheet		
CR2M.3.01(1)(a),(k)	Current assets	**11,726**	5,651
CR2M.3.01(1)(b),(k)	Total assets	**32,359**	21,547
CR2M.3.01(1)(c),(k)	Current liabilities	**3,389**	2,842
CR2M.3.01(1)(d),(k)	Total liabilities	**9,124**	6,006
CR2M.3.01(1)(e),(k)	*Shareholders' equity*		
	Issued capital	**19,212**	13,870
	Reserves		
	Revaluation surplus – property, plant and equipment	**503**	256
	Available-for-sale financial assets	**203**	151
	Cash flow hedges	**(119)**	(124)
	Share-based payments [4]	**158**	62
	Retained earnings	**3,278**	1,326
		23,235	15,541
CR2M.3.01(1)(f),(k)	**Profit or loss for the period**	**3,099**	1,663
CR2M.3.01(1)(g)(k)	**Total comprehensive income**	**3,417**	1,828

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

(b) Guarantees entered into by the parent entity [1-3]

	2017 $'000	2016 $'000
Carrying amount included in current liabilities	**23**	28
	23	28

The parent entity has provided financial guarantees in respect of bank overdrafts and loans of subsidiaries amounting to $365,000 (2016 – $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) finance leases of subsidiaries amounting to $2,500,000 (2016 – $2,600,000)

(ii) the bank overdraft of a subsidiary amounting to $790,000 (2016 – $845,000)

(iii) a bank loan of the subsidiary participating in the Fernwood Partnership (see note 16(d)) amounting to $2,750,000 (2016 – $5,800,000).

A liability has been recognised in relation to these financial guarantees in accordance with the policy set out in note 25(q) and (e) below.

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

(b) Guarantees entered into by the parent entity [1-3]

In addition, there are cross guarantees given by VALUE ACCOUNTS Holdings Limited, VALUE IFRS Retail Limited and VALUE IFRS Development Limited as described in note 2Y. No deficiencies of assets exist in any of these companies.

The parent entity has also provided a guarantee in respect of obligations assumed by a State Government Statutory Authority, as described in note 7(g).

No liability was recognised by the parent entity or the group in relation to these last two guarantees, as the fair value of the guarantees is immaterial.

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

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2017 or 31 December 2016. 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 31 December 2017, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $850,000 (31 December 2016 – $770,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

AASB101(119)

(e) Determining the parent entity financial information [5]

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

AASB127(16)(c)
AASB127(12)

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of VALUE ACCOUNTS Holdings Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

AASB101(119),(112)(c)

(ii) Tax consolidation legislation [6,7]

UIG1052(16)(a)

VALUE ACCOUNTS Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

UIG1052(7),(9)(a),(16)(a),(b)

The head entity, VALUE ACCOUNTS Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

UIG1052(12)(a)

In addition to its own current and deferred tax amounts, VALUE ACCOUNTS Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

UIG1052(16)(c)

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate VALUE ACCOUNTS Holdings Limited for any current tax payable assumed and are compensated by VALUE ACCOUNTS Holdings Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to VALUE ACCOUNTS Holdings Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

UIG1052(16)(c)

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

UIG1052(12)(b)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

UIG1052(12)(c)

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

AASB101(119)

(e) Determining the parent entity financial information

AASB101(119)

(iii) Financial guarantees [3]

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.

(iv) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Parent entity financial information

Financial guarantees

AASB139(9)

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

AASB139(2)(e)
AASB108(19)(b)

2. Financial guarantees must be accounted for in accordance with the provisions in AASB 139 *Financial Instruments: Recognition and Measurement*, unless the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has accounted for them as such.

Recognition and measurement

AASB139(43),(47)(c)

3. Where financial guarantee contracts are recognised under AASB 139, they must be initially recognised at their fair value. Subsequently, the guarantees are measured at the higher of:
   (a) the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities* and *Contingent Assets*, and
   (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with AASB 118 *Revenue.*

Share-based payment funding reserve – accounting in the parent entity

4. It is assumed that under the VALUE IFRS Employee Share Trust, the employees own the beneficial interest in the residual assets of the shares and there is no formal loan arrangement in place between the parent entity and the Trust. As a result, the provision of cash to the Trust to buy shares in the parent entity on market is recognised as an equity transaction in the share-based payment reserve of the parent entity. If the entity (rather than the employees) has a beneficial interest in the Trust's residual assets, the entity should recognise an investment in the Trust instead.

Disclosing accounting policies

5. Following changes made to the *Corporations Act 2001* in June 2010, 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 (eg 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.

Tax consolidation disclosures

6. The terms and conditions of tax funding agreements may vary widely between entities. For example, the funding amounts may be determined on a completely different basis to that assumed for VALUE ACCOUNTS Holdings Limited. The illustrative wording provided in this publication must be adapted to the individual circumstances. Some groups may also permit payment to occur via debit or credit to a general intercompany account. In this case, the disclosure should state this fact and refer to the relevant note for the terms and conditions of these accounts.

Parent entity financial information

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

Tax consolidation with no tax funding agreement

7. If there is no tax funding agreement, the entity may disclose a note along the following lines:

    As the tax consolidated group has not entered into a tax funding agreement, no compensation has been received or paid for any current tax payable or deferred tax assets relating to tax losses assumed by the parent entity since implementation of the tax consolidation regime.

    UIG1052(16)(d) In this case, the entity must disclose in its separate financial statements the net amount recognised for the period as tax consolidation contributions to (or distributions from) tax consolidated subsidiaries, its major components and the accounts affected.

Additional information to give a true and fair view

CA297
CA295(3)(c)

8. 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 (eg a large impairment loss recognised during the reporting period).

Preparation of separate financial statements

9. 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, unless is specific relief is provided (eg for earnings per share disclosures and segment reporting). No relief exists for AASB 7 and AASB 13 disclosures, for example.

AASB101(117)

25 Summary of significant accounting policies [1-5,19-24]

AASB101(112)(a),(b)(51)(b)

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 Holdings Limited and its subsidiaries.

AASB101(112)(a),(117)

(a) Basis of preparation

AASB1054(7)-(9)

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 Holdings Limited is a for-profit entity for the purpose of preparing the financial statements. [21]

(i) Compliance with IFRS [15-17]

AASB101(16)

The consolidated financial statements of the VALUE ACCOUNTS Holdings Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

AASB101(117)(a)

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

- available-for-sale financial assets, 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 cost of disposal, and
- defined benefit pension plans – plan assets measured at fair value.

Revised requirement

(iii) New and amended standards adopted by the group [6]

AASB108(28)

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107,* and
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

The group also elected to adopt the following amendments early: [6]

- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

The amendments to AASB 107 require disclosure of changes in liabilities arising from financing activities, see note 10(c).

(iv) New standards and interpretations not yet adopted [7-9]

AASB108(30)

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

AASB101(112)(a),(117)

(a) Basis of preparation

Revised requirement

Title of standard	AASB 9 *Financial Instruments*
Nature of change	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018: The majority of the group's debt instruments that are currently classified as available-for-sale will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. However, certain investments in preference shares do not meet the criteria to be classified either as at FVOCI or at amortised cost and $1,100,000 will have to be reclassified to financial assets at fair value through profit or loss (FVPL). Related fair value gains of $120,000 will have to be transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018. The group also expects that certain investments in listed corporate bonds will qualify for classification at amortised cost going forward. Their fair value of $150,000 will be deemed to be the starting amortised cost for these assets as at 1 January 2018 and there will therefore be no impact on retained earnings from the reclassification. The other financial assets held by the group include: • equity instruments currently classified as AfS for which a FVOCI election is available • equity investments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under AASB 9, and • debt instruments currently classified as held-to-maturity and measured at amortised cost which meet the conditions for classification at amortised cost under AASB 9. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, $646,000 of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9. In addition, the group intends to designate the intrinsic value of foreign currency option contracts as hedging instruments going forward. These are currently accounted as held-for-trading derivatives at FVPL. Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in future be deferred in a new costs of hedging reserve within equity. The deferred amounts will be recognised against the related hedged transaction when it occurs.

AASB101(112)(a),(117)

(a) Basis of preparation

Revised requirement

Title of standard	**AASB 9 *Financial Instruments***
	The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the group expects a small increase in the loss allowance for trade debtors by approximately 15% and in relation to debt investments held at amortised cost. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Date of adoption by group	Must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated, except in relation to changes in the fair value of foreign exchange forward contracts attributable to forward points, which will be recognised in the costs of hedging reserve.
Title of standard	**AASB 15 *Revenue from Contracts with Customers***
Nature of change	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	Management has assessed the effects of applying the new standard on the group's financial statements and has identified the following areas that will be affected: • Accounting for the customer loyalty programme – AASB 15 requires that the total consideration received must be allocated to the points and goods based on relative stand-alone selling prices rather than based on the residual value method. This will result in higher amounts being allocated to the goods sold and result in an earlier recognition of a portion of the revenue. The group estimates that deferred revenue will have to be reduced by approximately $50,000, deferred tax assets by $15,000 and retained earnings increased by $35,000 on 1 January 2018. • Accounting for certain costs incurred in fulfilling a contract – in 2017, the group expensed costs of $520,000 related to the data transfer for the set-up of an IT platform relating to a long term IT contact, as they did not qualify for recognition as an asset under any of the other accounting standards. However, the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered. They will therefore be eligible for capitalisation under AASB 15 and recognised as a contract asset as of 1 January 2018. A deferred tax liability of $156,000 will arise as a consequence and the net impact on retained earnings will be $464,000. • Presentation of contract assets and contract liabilities in the balance sheet – AASB 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to IT consulting contracts and contract liabilities in relation to expected volume discounts, rights to return and the customer loyalty programme which are currently included in other balance sheet line items. The application of AASB 15 may further result in the identification of separate performance obligations in relation to IT consulting contracts which could affect the timing of the recognition of revenue going forward.
Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Revised requirement

Title of standard	AASB 16 *Leases*
Nature of change	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $7,090,000, see note 18. The group estimates that approximately 20-30% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. However, the group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.
Mandatory application date/ Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Revised requirement

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

AASB101(119)

(b) Principles of consolidation and equity accounting

(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 when 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 25(i)).

AASB10(19),(B86)(c)

Intercompany 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.

AASB101(119)

(ii) Associates

AASB128(5),(16)

Associates are all entities over which the group has significant influence but not control or joint control. 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

AASB11(14)

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 Holdings Limited has both joint operations and joint ventures.

AASB101(119)

(b) Principles of consolidation and equity accounting

Joint operations

AASB11(20)

VALUE ACCOUNTS Holdings Limited 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 16(d).

Joint ventures

AASB11(24)
AASB128(10)

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.

(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)

When 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 25(j).

(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 Holdings Limited.

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.

AASB101(119)

(c) Segment reporting

AASB8(5),(7)

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of VALUE ACCOUNTS Holdings Limited has appointed a strategic steering committee which assesses the financial performance and position of the group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

AASB101(119),(120)

(d) Foreign currency translation

AASB101(119)

(i) Functional and presentation currency

AASB121(9),(17),(18)
AASB101(51)(d)

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 Holdings Limited's functional and presentation currency.

AASB101(119),(120)

(d) Foreign currency translation

AASB101(119)

(ii) Transactions and balances

AASB121(21),(28),(32)
AASB139(95)(a),(102)(a)

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 income or other expenses.

AASB121(23)(c)
AASB121(30)

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 available-for-sale financial assets are recognised in other comprehensive income.

AASB101(119)

(iii) Group companies

AASB121(39)

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:

AASB121(39)

- 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.

AASB139(102)

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.

AASB121(47)

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.

AASB101(119)

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The specific accounting policies for the group's main types of revenue are explained in note 3.

AASB101(119)

(f) Government grants

AASB120(7),(39)(a)

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 5 provides further information on how the group accounts for government grants.

AASB101(119),(120)

(g) Income tax

AASB112(46)

The income tax expense or credit 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.

AASB112(12),(46)

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's 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

AASB112(15),(24),(47)

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 substantially 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.

AASB112(51C)

The deferred tax liability 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 when there is a legally enforceable right to offset current tax assets and liabilities and when 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 (eg 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.

AASB101(119)

(h) Leases

AASB117(20),(25),(27)

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 8(a)). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

AASB117(33)
SIC15(5)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

AASB117(49),(50)

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term (note 8(b)). The respective leased assets are included in the balance sheet based on their nature.

AASB101(119),(120)

(i) Business combinations

AASB3(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 to the former owners of the acquired business
- 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.

AASB101(119)

(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.

AASB101(119)

(k) Cash and cash equivalents

AASB107(6),(8),(46)

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.

AASB101(119)

(l) Trade receivables

AASB7(21)
AASB139(46)(a)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 7(a) for further information about the group's accounting for trade receivables and note 12(c) for a description of the group's impairment policies.

AASB101(119)

(m) Inventories

AASB101(119)

(i) Raw materials and stores, work in progress and finished goods

AASB102(9),(10),(25),(36)(a)

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.

AASB101(119)

(ii) Land held for resale

AASB102(9),(10),(23),(36)(a)
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.

AASB101(119)

(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 non-current 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 recognised.

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),(33)(a)

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.

AASB101(119)
AASB7(21)

(o) Investments and other financial assets [10]

(i) Classification

AASB139(45)

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 7 for details about each type of financial asset.

AASB101(119)
AASB7(21)

(o) Investments and other financial assets

(ii) Reclassification

AASB139(50)-(50E)

The group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

AASB139(50F)

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Recognition and derecognition

AASB139(38)
AASB7(21),(B5)(c)

Regular way purchases and sales of financial assets are recognised on trade-date, 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iv) Measurement [10]

AASB7(21)
AASB139(43)

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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

AASB139(46)(a),(b)

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

AASB139(46),
(55)(a),(b)
AASB7(21),(B5)(e)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for ‘financial assets at fair value through profit or loss’ – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.[11]

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the group’s right to receive payments is established. [11]

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations. [11]

AASB13(91)

Details on how the fair value of financial instruments is determined are disclosed in note 7(h).

AASB101(119)
AASB7(21)

(o) Investments and other financial assets

(v) Impairment

AASB139(58),(59)

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

AASB139(63)

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

AASB139(65)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 12(c).

Assets classified as available-for-sale

AASB139(67)-(70)

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(vi) Income recognition

AASB101(119)

Interest income

AASB118(35)(a)
AASB139(AG93)

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

AASB101(119)

Dividends

AASB118(35)(a)
AASB127(12)

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 25(o).

AASB101(119)
AASB7(21)

(p) Derivatives and hedging activities

AASB139(46)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and 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:

AASB139(86)

- 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).

AASB139(88)

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 7(h). Movements in the hedging reserve in shareholders' equity are shown in note 9(c). 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.

AASB101(119)

(i) Cash flow hedge

AASB139(95),(97),(98)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense. [11]

AASB139(100)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

AASB139(98)(b)

AASB139(101)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ii) Net investment hedges

AASB101(119)

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

AASB139(102)

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses. [11]

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

AASB101(119)

(iii) Derivatives that do not qualify for hedge accounting

AASB139(55)(a)

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses. [11]

AASB101(119) AASB7(21)

(q) Financial guarantee contracts

AASB139(47)(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 AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments 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.

AASB101(119)

(r) Property, plant and equipment

AASB116(73)(a),(35)(b),(17) AASB139(98)(b)

The group's accounting policy for land and buildings is explained in note 8(a). All other 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.

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 8(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 25(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.

AASB101(119)

(s) Investment properties

AASB140(75)(a)

The group's accounting policy for investment properties is disclosed in note 8(b).

AASB101(119)

(t) Intangible assets

AASB101(119)

(i) Goodwill

AASB3(32) AASB136(10)

Goodwill is measured as described in note 25(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, being the operating segments (note 2).

AASB101(119)

(t) Intangible assets

AASB101(119)

(ii) Trademarks, licences and customer contracts

AASB138(74),(97),(118)(a),(b)

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licenses 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.

AASB101(119)

(iii) Software

AASB138(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 when 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.

AASB101(119)

(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.

AASB101(119)

(v) Amortisation methods and periods

Refer to note 8(c) for details about amortisation methods and periods used by the group for intangible assets.

AASB101(119)

(u) Trade and other payables

AASB7(21)
AASB139(43)

These amounts represent liabilities for goods and services provided to the group prior to the end of 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.

AASB101(119)

(v) Borrowings

AASB7(21)
AASB139(43),(47)

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.

AASB139(39),(41)

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-I19(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.

AASB101(69)

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.

AASB101(119)
AASB123(8)

(w) Borrowing costs

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.

AASB101(119)

(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.

AASB101(119)

(y) Employee benefits

(i) Short-term obligations [12]

AASB119(11),(13)

Liabilities for wages and salaries, including non-monetary benefits 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.

AASB101(119)

(y) Employee benefits

AASB119(8),(155),(156)

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They 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.

AASB101(69)(d)

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 twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(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.

Pension obligations

AASB119(57),(67)

The liability or asset recognised in the balance sheet in respect of defined benefit pension 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.

AASB119(83),(86)

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.

AASB119(123)

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.

AASB119(57)(d)

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.

AASB119(103)

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.

AASB119(51)

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance 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.

Other post-employment obligations

AASB119(155)

Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

AASB101(119)

(y) Employee benefits

AASB101(119)

(iv) Share-based payments1 [13]

Share-based compensation benefits are provided to employees via the VALUE IFRS Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 21.

Employee options

AASB2(15)(b),(19) The fair value of options granted under the VALUE IFRS 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:

- AASB2(21) including any market performance conditions (eg the entity's share price)
- AASB2(20) excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- AASB2(21A) including the impact of any non-vesting conditions (eg the requirement for employees to save or holdings shares for a specific period of time).

AASB2(19) 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.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

The Employee Option Plan is administered by the VALUE IFRS Employee Share Trust, which is consolidated in accordance with the principles in note 25(b)(i). When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

Employee share scheme

Under the employee share scheme, shares issued by the VALUE IFRS Employee Share Trust to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

Deferred shares

AASB2(15),(16),(19) The fair value of deferred shares granted to employees for nil consideration under the short-term incentive scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

AASB2(19) Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

The deferred shares are acquired by the VALUE IFRS Employee Share Trust on market at the grant date and are held as treasury shares until such time as they are vested (see note 25(z) below).

Share appreciation rights

AASB2(30) Liabilities for the group's share appreciation rights 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.

AASB101(119)

(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.

AASB101(119)

(y) Employee benefits

AASB101(119)

(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.

(vii) Reclassification of employee benefit obligations [14]

AASB101(41)

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 31 December 2016 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 2016).

AASB101(119)

(z) Contributed equity

AASB132(18)(a)

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 7(g)).

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 Holdings Limited 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 Holdings Limited.

AASB132(33)

Shares held by the VALUE IFRS Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

AASB101(119)

(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.

AASB101(119)

(ab) Earnings per share

(i) Basic earnings per share

AASB133(10)

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 9(b)).

(ii) Diluted earnings per share

AASB133(30)

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

AASB101(119)

(ac) Rounding of amounts [18]

AASB101(51)(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.

AASB101(119)

(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

AASB101(119)

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 when those policies are selected from alternatives allowed in Australian Accounting Standards.
2. Some Australian Accounting Standards specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, AASB 116 *Property, Plant and Equipment* requires disclosure of the measurement bases used for classes of property, plant and equipment and AASB 3 *Business Combinations* requires disclosure of the measurement basis used for non-controlling interest acquired during the period.
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 25. Where permitted by local requirements, entities could consider moving these non-entity specific policies into an Appendix.

Change in accounting policy – new and revised accounting standards

AASB108(28)

4. 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 26 for further information.

AASB108(28)

5. 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.

   VALUE ACCOUNTS Holdings Limited has disclosed amendments that could have affected its accounting policies but doesn't mention standards that are not relevant to it (eg on bearer plants or regulatory deferral accounts). A complete list of standards and interpretations that apply for the first time to financial reporting periods commencing on or after 1 January 2017 is set out in Appendix G.

Early adoption of accounting standards

6. VALUE ACCOUNTS Holdings Limited 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. An exception this year is the amendments made to AASB 107 in relation to the *Disclosure Initiative*. VALUE ACCOUNTS Holdings Limited has adopted these amendments early since investors find this information useful and we wanted to show how this could be presented (see note 10(c)). The impact of standards and interpretations that have not been early adopted is disclosed in note 25(a)(iv).

Summary of significant accounting policies

Standards and interpretations issued but not yet effective

AASB108(30)

7. Entities must explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the current period and on foreseeable future transactions (eg AASB 9, AASB 15 and AASB 16). Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in the future.
8. In our view, where the expected impact is material, entities should make these disclosures even if the new accounting pronouncement is issued after the balance sheet date but before the date of authorisation of the financial statements.
9. The illustrative accounting policy note on pages 212 to 215 only discusses pronouncements that are relevant for VALUE ACCOUNTS Holdings Limited and that have not been early adopted. It also makes certain assumptions regarding materiality that may not apply to all entities alike and will need to be adapted to the individual circumstances of an entity. For a complete listing of standards and interpretations that were on issue as at 30 September 2017 but not yet mandatory please refer to Appendix G.

ASIC MR16-442

In December 2016, ASIC reminded entities that they must disclose any known or reasonably estimable information that is relevant to assessing the possible impact of the adoption of the new standards on future financial statements. As the adoption dates of AASB 9, AASB 15 and AASB 16 are getting closer, ASIC expects this information to become more specific and include quantitative information.

International accounting standards issued but not yet endorsed by the AASB

AASB108(30)
IAS8(30)

Entities wishing to state compliance with IFRS in their basis of preparation will also need to consider whether there are any international standards and interpretations (or amendments thereof) that have not yet been endorsed by the AASB at the time of the completion of their financial statements. If there are any such standards or interpretations and they are relevant to the entity, their impact on the entity's financial statements should also be discussed in this note.

Financial instruments

AASB7(21),(B5)

10. Disclosure of the measurement bases of financial instruments may include:
    (a) the criteria for designating financial assets as available-for-sale
    (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 (eg whether the net gains or losses on items at fair value through profit or loss include interest or dividend income)
    (d) the criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred
    (e) when the terms of financial assets that would otherwise be past due or impaired have been renegotiated, the accounting policy for financial assets that are subject to renegotiated terms.

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

11. VALUE ACCOUNTS Holdings Limited's accounting policies for financial assets and derivatives (notes 25(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 139 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.

Employee benefits

Presentation of annual leave obligations

12. VALUE ACCOUNTS Holdings Limited 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.

Summary of significant accounting policies

Share-based payments – expense recognition and grant date

AASB2(IG4)

13. Share-based payment expenses should be recognised over the period during which the employees provide the relevant services. This period may commence prior to the grant date. In this situation, the entity estimates the grant date fair value of the equity instruments for the purposes of recognising the services received during the period between service commencement date and grant date. Once the grant date has been established, the entity revises the earlier estimate so that the amounts recognised for services received is ultimately based on the grant date fair value of the equity instruments. The deferred shares awarded by VALUE ACCOUNTS Holdings Limited are an example where this is the case. They are expensed over three years and two months, being the period to which the bonus relates and the two subsequent years until the deferred shares vest.

Reclassification

AASB101(41)

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 Holdings Limited has reclassified its employee obligations in the current year from provisions to a separate line item in the balance sheet.

Statement of compliance with IFRS: Where compliance with Australian Accounting Standards doesn't lead to compliance with IFRS

AASB101(Aus16.2)

15. In some circumstances compliance with Australian Accounting Standards will not lead to compliance with IFRS. These circumstances include, for example, when the entity is a for-profit public sector entity to which AASB 1004 *Contributions* applies and the entity has applied a requirement in that standard that overrides the requirements in an Australian equivalent to IFRS.

AASB1053(9)

16. Other examples are special purpose financial statements of non-reporting entities and financial statements prepared under tier 2 of the reduced disclosure regime, as neither of these will include all of the disclosures required by full IFRS.

AASB101(Aus16.3)

17. Where the financial statements do not comply with IFRS, the statement of compliance must be omitted. Not-for-profit entities are not required to make a statement of explicit and unreserved compliance with IFRS.

Rounding of amounts

ASIC2016/191

18. See Appendix A(n) for information about the conditions under which rounding is permitted for Australian companies.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

19. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

Reference	Issue not illustrated	Relevant disclosures or references
AASB7(28) AASB139(AG76)(b)	Fair value determined using valuation technique - difference on initial recognition	Disclose (by class of financial instrument) the accounting policy for recognising that difference in profit or loss
AASB101(117) AASB7(B5)(a)	Financial assets and liabilities designated at fair value through profit or loss (FVTPL)	Disclose the nature of the financial assets or liabilities designated as at FVTPL, the criteria for the designation, how the entity has satisfied the conditions for designation and a narrative description of the circumstances underlying the measurement and recognition inconsistency that would otherwise arise, or how the designation is consistent with the entity's documented risk management or investment strategies. See note 7 commentary paragraph 14 for illustrative disclosures.
AASB129(39)	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) and information about the identity and the level of the price index.

Summary of significant accounting policies

Industry-specific disclosures

20. Appendix F provides an illustration and explanation of the disclosure requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 111 *Construction Contracts* and AASB 141 *Agriculture*. Further examples of industry-specific accounting policies and other relevant disclosures can be found in the following PwC publications:
    (a) *IFRS Illustrative Consolidated Financial Statements – Investment property*
    (b) *IFRS Illustrative Consolidated Financial Statements – Investment funds*
    (c) *IFRS Illustrative Consolidated Financial Statements – Private equity funds*
    (d) *IFRS 9 for banks – Illustrative disclosures*

Statement of compliance with Australian Accounting Standards - Reduced Disclosure Requirements

AASB1054(RDR7.1)

21. Entities whose financial statements comply with Australian Accounting Standards – Reduced Disclosures Requirements shall make an explicit an unreserved statement of such compliance in the notes. As explained above, these entities cannot state compliance with IFRS because of the omission of disclosures that are required under IFRS. The disclosures relevant for entities reporting under the reduced disclosure regime are illustrated in our publication *VALUE ACCOUNTS Reduced Disclosure Pty Ltd.*

Tax consolidation legislation

UIG1052(7),(8)

22. The financial statements of subsidiaries that are part of a tax consolidated group and the separate financial statements of a head entity in a tax consolidated group (if prepared) should explain the accounting policies applied in respect of the tax consolidation.
23. 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. VALUE ACCOUNTS Holdings Limited has adopted the 'stand-alone taxpayer approach' as per UIG 1052 paragraph 9(a), see note 2Z. Other acceptable methods are:
    (a) separate-taxpayer within group (UIG 1052 paragraph 9(b)), and
    (b) group allocation (UIG 1052 paragraph 9(c)).
24. Further guidance on each of the three methods is in UIG 1052 paragraphs 34-40. Examples of unacceptable methods can be found in UIG 1052 paragraphs 10 and 39. The accounting policy adopted by VALUE ACCOUNTS Holdings Limited in relation to separate parent entity financial information is disclosed in note 2Z.

26 Changes in accounting policies [1-6]

Disclosures removed as not relevant for the current reporting period.

Changes in accounting policies

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

1. As there are no new or amended accounting standards that required VALUE ACCOUNTS Holdings Limited to change its accounting policies for the 2017 financial year, we have not illustrated the relevant disclosures in this year's publication. For a comprehensive illustration of retrospective changes in accounting policies please refer to the 2014 edition of this publication (available from http://www.pwc.com.au/assurance/ifrs/value-accounts/index.htm). Appendix H also provides selected disclosures for a change in accounting policy in relation to the adoption of AASB 9 *Financial Instruments* and Appendix I provides illustrative disclosures in relation to the adoption of AASB 15 *Revenue from Contracts with Customers*. Appendix J shows the disclosures that apply on transition to AASB 16 *Leases.*

Impact of change on the current period

AASB108(28)(f)

2. AASB 108 specifically requires disclosure of the effect of a change in accounting policy not only on prior periods but also on the current period, unless it is impracticable to determine the amount of the adjustment. To make this disclosure, entities will need to apply both the old accounting policy and the new policies parallel in the year of adoption. The standard includes a definition of impracticable and a set of criteria that must be satisfied for the exemption to be applied, setting quite a high hurdle for using this exemption.
3. The IASB did consider requiring this disclosure only for voluntary changes of accounting policies and not where the change is a result of changes in the accounting standards. However, they did not proceed with the amendment but decided instead to give relief on a case-by-case basis. For example, relief was provided for the adoption of the consolidation and joint arrangement standards, AASB 10 and AASB 11. Relief will also be available on adoption of the new revenue standard, AASB 15 *Revenue from contracts with customers.*

Additional comparative information – third balance sheet

AASB101(40A),(40C)

4. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements and this had a material effect on the information in the balance sheet (statement of financial position) at the beginning of the preceding period, the entity must present a third balance sheet as at that date (1 January 2016 for entities with a 31 December 2017 year-end). However, it is not necessary to include the additional comparative information in the affected notes, provided the entity has disclosed all of the quantitative information that is required by AASB 108.

AASB101(40D)

5. The third balance sheet must be presented as at the beginning of the preceding period even if the entity presents comparative information for earlier periods.

Impact of change on prior interim financial reports

AASB101(112)(c)

6. There is no explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial reports of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, an entity should consider explaining this fact and the financial effect as part of the disclosures made under paragraphs 28 and 29 of AASB 108.

CA295(1)(c)

Directors' declaration [1]

In the directors' opinion:

CA295(4)(d) (a) the financial statements and notes set out on pages 46 to 234 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, 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 31 December 2017 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], and

ASIC2016/785 (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 2Y will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 2Y. [4,5]

CA295(4)(ca) Note 25(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. [6]

CA295(4)(e)
Listed entities only

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*. [7,8]

CA295(5)(a) This declaration is made in accordance with a resolution of the directors. [9]

CA295(5)(c) M K Hollingworth [9]

Director

Disclosure of location not mandatory

Sydney

CA295(5)(b) 24 February 2018 [9,10]

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 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.

Directors' declaration

Deed of cross guarantee

ASIC2016/785

4. *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* relieves a company of a specified class that is wholly-owned by an Australian company, a disclosing entity which is an Australian body corporate, or a registered foreign holding company, of the necessity to prepare financial statements where the requirements of the instrument have been met. One of these requirements is that the holding entity and the subsidiaries have become parties to a deed of cross guarantee under which each of the entities guarantees the debts of the other entities.

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

5. Another requirement of the instrument is that the directors' declaration made in relation to the consolidated financial statements must include comments along the lines shown. There are further disclosure requirements for the notes to the financial statements which are illustrated in note 2Y.

IFRS compliance statement

CA295(4)(ca)

6. The directors' declaration must mention if the notes to the financial statements include an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS). However, there is no need to explain why such a statement has been omitted, where this is the case.

Declarations by CEO and CFO - listed entities only

CA295(4)(c)

7. The directors' declaration of a listed entity must state that the directors have been given the declarations by the chief executive officer (CEO) and chief financial officer (CFO) required by CA 295A in relation to the entity's financial statements

CA295A(1),(2)

8. The declarations must state whether, in the CEO and CFO's opinion:
   (a) the financial records of the entity for the financial year have been properly maintained in accordance with CA 286
   (b) the financial statements and notes for the financial year comply with accounting standards
   (c) the financial statements and notes for the financial year give a true and fair view
   (d) any other matters that are prescribed by regulations in relation to the financial statements and notes for the financial year are satisfied.

Dating and signing of declaration

CA295(5)(a)-(c)

9. The directors' declaration shall be made in accordance with a resolution of the directors, specify the date on which it was made and be signed by a director.
10. The deadlines for various kinds of entities for signing the directors' declaration are set out in Appendix C.

Independent auditor's report to the members of VALUE ACCOUNTS Holdings Limited [1-7]

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 may differ in certain aspects from firm to firm, we have not included an illustrative report in this publication

Independent auditor's report

Form and content of audit report

CA307A APES210

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

CA308(2)

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.

CA308(3)

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*.

CA308(3A)

4. The audit report must include any statements or disclosures required by auditing standards.

CA308(3B)

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.

Disclosing entities that are companies – remuneration report

CA300A(1),(1A) CA308(3C)

6. Disclosing entities that are companies must include a remuneration report in their directors' report in a separate and clearly identified section. Where such a report has been included, the auditor must also report on whether the remuneration complies with section 300A of the *Corporations Act 2001*.

GS008

7. The Auditing and Assurance Standards Board (AuASB) has provided guidance on the audit reporting implications of this requirement, including the appropriate changes to the wording of the audit report, in Auditing Guidance Statement GS008 *The Auditor's Report on a Remuneration Report Pursuant to Section 300A of the Corporations Act 2001*.

Shareholder information [5,6]

ASX(4.10)
Listed entities only

The shareholder information set out below was applicable as at 15 February 2018. [1]

A Distribution of equity securities

ASX(4.10.7)

Analysis of numbers of equity security holders by size of holding:

Holding			Class of equity security			
			Ordinary shares		Redeemable preference shares	Convertible notes
			Shares	Options		
1	-	1,000	250	60	-	-
1,001	-	5,000	150	32	-	1
5,001	-	10,000	100	1	-	-
10,001	-	100,000	20	2	-	-
100,001		and over	12	-	1	-
ASX(4.10.5)			532	95	1	1

ASX(4.10.8)

There were 30 holders of less than a marketable parcel of ordinary shares.

B Equity security holders

Twenty largest quoted equity security holders [2]

ASX(4.10.9)

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Lion (Australia) Limited	32,376,707	60.00
Enterprise Limited	4,061,050	7.53
Investments Trading Limited	1,621,900	3.01
Nominee Corporation Limited	1,395,754	2.59
Australian Superannuation Fund	1,367,486	2.53
A B Bank Limited	1,339,218	2.48
Trustees Incorporated	1,310,950	2.43
Pacific Investments Incorporated	282,682	0.52
K N Meares	254,413	0.47
Kangaroo Traders Pty Limited	251,587	0.47
Land Corporation Limited	226,145	0.42
Electrical Traders Pty Limited	212,011	0.39
N T Toddington	100,740	0.19
Project Development Limited	92,296	0.17
Eastern Limited	92,402	0.17
M K Hollingworth	82,000	0.15
R J Hunter	74,059	0.14
R M Lyon	73,074	0.14
B A Wilson	73,200	0.14
H G Wells	67,473	0.13
	45,355,147	84.05

ASX(4.10.16)

Unquoted equity securities [3]	Number on issue	Number of holders
6% cumulative redeemable preference shares held by Trimark Securities Limited	5,000,000	1
7% convertible notes of $13.33 each held by Dominion Enterprises Limited	1,500,000	1
Options issued under the VALUE IFRS Employee Option Plan to take up ordinary shares	2,056,000*	95

* Number of unissued ordinary shares under the options. No person holds 20% or more of these securities.

C Substantial holders [4]

ASX(4.10.4) Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Lion plc (as holding company of Lion (Australia) Limited) [4]	32,376,707	60.00%
Enterprise Limited	4,061,050	7.53%
6% cumulative redeemable preference shares		
Trimark Securities Limited	5,000,000	100.00%

D Voting rights

ASX(4.10.6) The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) 6% cumulative redeemable preference shares: One vote for each share, but limited to matters affecting the rights of such shares.

(c) 7% convertible notes: One vote for each note, but limited to matters affecting the rights of such notes.

(d) Options: No voting rights.

Shareholder information

Date at which made

ASX(4.10)

1. The shareholder information must be current at a date specified by the entity which is no more than 6 weeks before the annual report is sent to shareholders.

Twenty largest equity security holders

ASX(4.10.9)

2. Disclosure is required of the names of the twenty largest holders of each class of quoted equity securities, the number of equity securities each holds and the percentage of capital each holds.

Unquoted equity securities

ASX(4.10.16)

3. Disclosure is required of the number of each class of unquoted equity securities on issue (except CHESS Depositary Interests (CDIs)) as well as the number of holders for each class. If one person holds 20% or more of a class of unquoted equity securities, disclosure of that holder's name and the number of equity securities held is also required, unless the securities were issued under an employee incentive scheme.

Substantial holders

ASX(4.10.4)

CA9

4. Disclosure is required of the names of substantial holders in the entity, and the number of equity securities in which each substantial holder and the substantial holder's associates have a relevant interest, as disclosed in substantial holding notices given to the entity. If a substantial holding notice discloses that related bodies corporate have the same relevant interest in the same number of equity securities, the annual report need only include the name of the holding company. Substantial holdings are those of 5% or more of the total votes attached to the voting shares or interests in the entity.

Restricted securities or securities subject to voluntary escrow

ASX(4.10.14)

5. Where there are restricted securities or securities subject to voluntary escrow, disclosure is required of the number and class of such securities on issue and the date that the escrow period ends. Restricted securities are defined in Chapter 19 of the Listing Rules.

Issues of securities for the purposes of Item 7 of CA 611 not yet completed

ASX(4.10.21)

6. Disclosure is required of a summary of any issues of securities approved for the purposes of Item 7 of section 611 of the *Corporations Act 2001* which have not yet been completed.

VALUE ACCOUNTS Holdings Limited

Annual and interim financial reporting 2017 Appendices

Appendix A: Preparation of annual financial reports in Australia

This Appendix summarises the requirements relevant to the preparation of financial reports in Australia. It covers the following topics:

(a) Financial reporting requirements under the *Corporations Act 2001*

CA296,297

1. The *Corporations Act 2001* (the Act) requirements for the preparation and audit of annual financial reports by various kinds of entities are summarised in the flowchart in Appendix B. Financial reports required under the Act must comply with the accounting standards and give a true and fair view of the entity's financial position and performance. The annual reporting deadlines for disclosing entities, other public and proprietary companies and registered schemes are summarised in Appendix C.

CA295(1)

2. A financial report consists of:
   (a) financial statements for the year that are required by accounting standards, being a:

AASB101(10)

      (i) statement of financial position (balance sheet)
      (ii) statement of profit or loss and other comprehensive income (or separate statement of profit or loss and statement of comprehensive income)
      (iii) statement of changes in equity, and
      (iv) statement of cash flows
   (b) notes to the financial statements, and
   (c) directors' declaration.

CA295(2)

3. Following changes made to the Act in June 2010 companies have to prepare either of the following – but no longer both together:
   (a) financial statements in relation to a single entity (if there are no subsidiaries), or
   (b) if required under the accounting standards, consolidated financial statements.

   Instead of a complete set of financial statements for the parent entity, the consolidated financial statements have to include key financial information for the parent entity, as illustrated in note 2Z of the VALUE ACCOUNTS Holdings Limited annual report.

ASIC10/654

4. As a result of these changes, the side-by-side inclusion of consolidated and parent entity financial statements is legally no longer required or permitted. However, if a parent entity wishes to continue presenting its separate financial statements together with the consolidated financial statements, it can do so under class order 10/654 provided by the Australian Securities and Investments Commission (ASIC). The class order is particularly needed by entities with an Australian Financial Services Licence (AFSL) and entities regulated by the Australian Prudential Regulation Authority, as they must continue presenting separate financial statements for the parent entity in addition to the consolidated financial statements. The class order is open ended and does not have any special conditions (eg there is no need to mention the application of the class order in the notes).

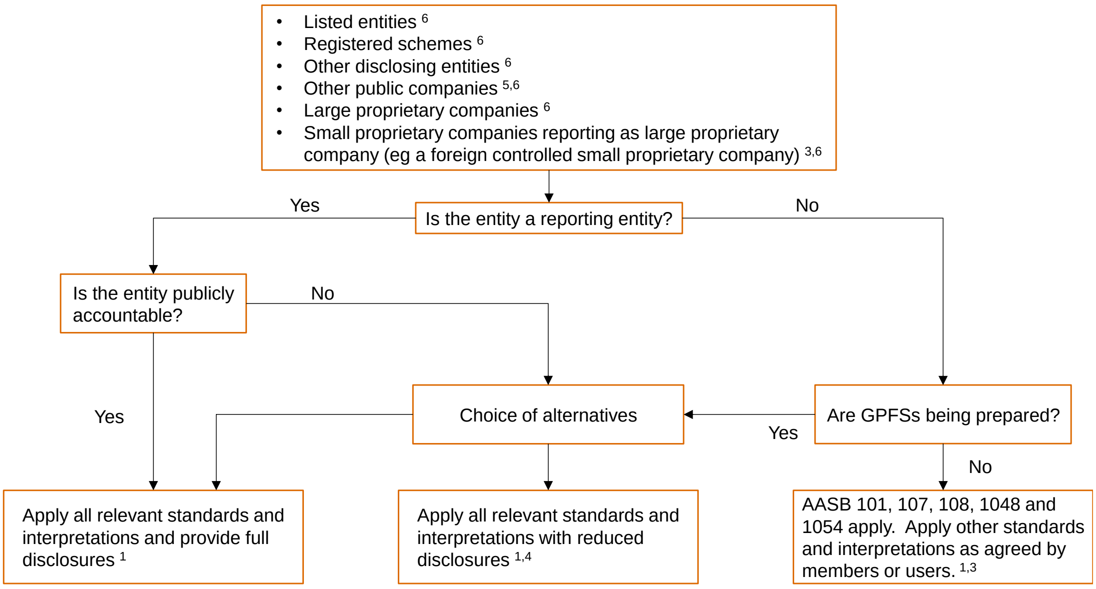
ASIC2015/839

5. Similarly, ASIC has also permitted related registered schemes to include their financial statements in adjacent columns in a single financial report provided they have a common responsible entity or responsible entities that are wholly beneficially owned by the same entity. Please refer to the legislative instrument for further conditions that must be satisfied.

6. Where the financial reports must comply with Australian accounting standards, entities may have up to three different options:
   (a) prepare general purpose financial statements (GPFS) with full disclosures
   (b) prepare GPFS with reduced disclosures – only available if the entity does not have public accountability (see paragraphs 24 – 27 below), or
   (c) prepare special purpose financial statements (SPFS) – only available if the entity is not a reporting entity (see paragraphs 37 – 42 below).

   This is further explained in the graph on the next page and in the subsequent discussion.

7. The following graph summarises the reporting framework for the preparation of statutory financial reports. [2]



1. If the financial statements, as prepared in accordance with the *Corporations Act 2001*, the *Corporations Regulations 2001* and accounting standards, would not otherwise give a true and fair view of the financial position and performance of the entity, additional information must be provided to ensure that a true and fair view is given.
2. If an entity prepares non-statutory GPFSs, all relevant standards and interpretations should be applied, but the entity may choose to apply the reduced disclosure regime as outlined in paragraphs 22 to 30 below.
3. AASB 101, AASB 107, AASB 108, AASB 1048 and AASB 1054 apply to entities that are required to prepare financial reports under Chapter 2M of the Act. Refer to paragraphs 69 – 83 of this Appendix for comments on the reporting requirements for non-reporting entities preparing special purpose financial statements, including references to the ASIC guide Reporting requirements for non-reporting entities. If small proprietary companies are requested to prepare financial reports by ASIC or members with at least 5% of voting rights, they do not have to be prepared in accordance with relevant accounting standards, including those mentioned above, where this is specified in the request (ie special purpose financial statements can be prepared if the request specifies the extent to which relevant accounting standards are to be applied, subject to comments in paragraphs 69 – 83 on non-reporting entities).
4. Entities that prepare general purpose financial statements and that are not publicly accountable can elect to apply the reduced disclosure regime, see paragraph 22 to 30 below.
5. Small companies limited by guarantee do not need to prepare or lodge any financial reports unless they are directed to do so by members or ASIC, see paragraph 48 below.
6. For an explanation of the different types of entities refer to Appendix B.

(b) Accounting standards, interpretations and conceptual framework

CA296 8. All entities reporting under the Act must prepare their financial statements in accordance with the accounting standards issued by the Australian Accounting Standards Board (AASB). If the financial report, as prepared in accordance with the Act, the *Corporations Regulations 2001* (the Regulations) and accounting standards, would not otherwise give a true and fair view of the financial position and performance of the entity, additional information must be provided to ensure that a true and fair view is given. However, most accounting standards only apply to reporting entities and financial statements that are, or are held out to be, general purpose financial statements (GPFSs). This is referred to as the ‘reporting entity concept’ and is explained further in paragraphs 31 and 37 to 42 below.

9. Subject to the reduced disclosure regime described in paragraph 22 below, the accounting standards for for-profit entities are consistent with International Financial Reporting Standards (IFRS). However, there are some additional disclosure requirements in AASB 1054 *Australian Additional Disclosures* and a couple of standards and interpretations on issues that are not dealt with under IFRS, being, for example, general and life insurance contracts and Petroleum Resource Rent Tax. These will be withdrawn if a particular issue is subsequently addressed by the IASB or the IFRS Interpretations Committee. Australian accounting standards also have specific provisions added for not-for-profit and public sector entities which may not always be compliant with IFRS.

CA334(5)

10. Individual accounting standards specify their application date. However, an entity may elect to apply a standard earlier than its application date unless the standard says otherwise. An entity required to prepare financial reports under Part 2M.3 of the Act can only adopt an AASB standard early where the directors make a written election in accordance with CA 334(5).

ASIC-Act225,227

11. The AASB is responsible for accounting standard setting for all entities, including companies, public sector entities and not-for-profit entities. The Financial Reporting Council oversees the accounting standard setting process for both the private and public sectors. Some of the Council's main functions in this area are:
    (a) to provide broad oversight of the processes for setting accounting standards in Australia
    (b) appointing the members of the AASB (other than the Chair)
    (c) approving and monitoring the AASB's priorities, business plan, budgets and staffing arrangements
    (d) determining the AASB's broad strategic direction and giving it directions, advice and feedback
    (e) monitoring the development of international accounting standards and furthering the development of a single set of accounting standards for world wide use.

Accounting standards and materiality

AASB101(7)
AASB108(5)

12. Accounting standards apply when information resulting from their application is material. Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial statements.

13. In deciding whether an item or an aggregate of items is material, the size and nature of the omission or misstatement of the items usually need to be evaluated together. In particular circumstances, either the nature or the amount of an item or an aggregate of items could be the determining factor. Further discussion of materiality is set out in the *Framework for the Preparation and Presentation of Financial Statements*.

Accounting interpretations

AASB Interpretations Model

14. Accounting interpretations are issued by the AASB under the AASB *Interpretations Model* (*December 2007*). Issue proposals are assessed by the AASB. Issues relating to interpreting Australian equivalents to IFRS are in the first instance forwarded to the IFRS Interpretations Committee (IFRS IC) for consideration. If the IFRS IC does not add the issue to its work program, or if the issue proposal relates to domestic requirements that relate only to not-for-profit entities in the public and/or private sectors, the AASB may decide to form an advisory panel on a topic-by-topic basis. The role of the panel is to prepare alternative views and provide recommendations for consideration by the AASB. However, the AASB expects that unique domestic interpretations of Australian Accounting Standards will only be required in rare and exceptional circumstances.

15. Until June 2006, guidance on urgent financial reporting issues not dealt with, or not dealt with specifically in accounting standards was provided by the UIG. Consensus views were communicated in UIG Interpretations that were prepared by the UIG and issued by the AASB.

AASB1048(9)

16. Compliance with AASB and UIG interpretations is mandatory by virtue of paragraph 9 of AASB 1048 *Interpretation and Application of Standards*.

Framework

Framework(1)

17. *The Framework for the Preparation and Presentation of Financial Statements (Framework)* was issued by the AASB in July 2004 as part of Australia's convergence with IFRS. The *Framework* sets out the concepts that underlie the preparation and presentation of financial statements for external users. The purpose of the *Framework* is to:
    (a) assist the AASB in the development of future accounting standards and in its review of existing accounting standards, including evaluating proposed IASB pronouncements
    (b) assist the AASB in promoting harmonisation of regulations, accounting standards and procedures relating to the presentation of financial statements by providing a basis for reducing the number of alternative accounting treatments permitted by accounting standards
    (c) assist preparers of financial statements in applying accounting standards and in dealing with topics that have yet to form the subject of an accounting standard
    (d) assist auditors in forming an opinion as to whether financial statements conform with accounting standards
    (e) assist users of financial statements in interpreting the information contained in financial statements prepared in conformity with accounting standards
    (f) provide those who are interested in the work of the AASB with information about its approach to the formulation of accounting standards.

Framework(2),(3)

18. The *Framework* is not an accounting standard and hence does not define standards for any particular measurement or disclosure issue. Nothing in the *Framework* overrides any specific accounting standard. In a limited number of cases there may be a conflict between the *Framework* and an accounting standard. In those cases where there is a conflict, the requirements of the accounting standard prevail over those of the *Framework*. As, however, the AASB will be guided by the *Framework* in the development of future standards and in its review of existing standards, the number of cases of conflict between the *Framework* and accounting standards will diminish through time.

AASB108(11)(b)

AASB-CF2013-1

19. Entities shall refer to the *Framework* as a source of guidance in developing and applying an accounting policy if there is no accounting standard or interpretation dealing with an accounting issue. The IASB is in the process of updating the conceptual framework and completed Phase A by issuing revised objectives and qualitative characteristics of financial reports in September 2010. The AASB has incorporated the revised objectives and qualitative characteristics into the Australian Framework in December 2013. The Australian material also includes specific guidance for not-for-profit entities.

Statements of Accounting Concepts

Framework(Aus1.4)

20. Since December 2013, the Statements of Accounting Concepts are now all superseded with the exception of SAC 1 *Definition of the Reporting Entity.* SAC 1 remains in existence and forms part of the overall conceptual framework for general purpose financial reporting in Australia.

APES205(4.1)

21. While compliance with SACs in the preparation, presentation or audit of general purpose financial statements as such is not mandatory for members of the Accounting Bodies, members must take all reasonable steps to apply the principles and guidance in the SAC1 and the *Framework* when assessing whether an entity is a reporting entity.

(c) Differential reporting framework for general purpose financial statements

AASB1053(7),(9)

22. In June 2010, the AASB introduced a two-tier differential reporting regime which applies to all entities that prepare GPFSs:

AASB1053(11)

    (a) Tier 1 is IFRS as adopted in Australia, including standards specific to Australian entities. For-profit entities that are publicly accountable (see paragraphs 24 to 27 below) will continue to apply the current versions of the Australian Accounting Standards without changes.
    (b) Tier 2 is the new reduced disclosure regime which retains the recognition and measurement requirements of IFRS, but with reduced disclosure requirements for many entities. For-profit entities that do not have public accountability can elect to apply this tier.

23. At this stage, the reporting entity concept (see paragraphs 31 and 37 to 42 below) has not been affected by the reduced disclosure regime. While the AASB tentatively decided in April 2013 to change the application focus of the accounting standards such that all entities that are required to prepare financial statements in accordance with the accounting standards would have to prepare GPFS, a final decision on this has not yet been made. The AASB is currently undertaking further research on the reporting frameworks of comparable jurisdictions and is reviewing the principles applied in determining the disclosure requirements for entities reporting under tier 2 of the reduced disclosure regime.

Public accountability

AASB1053(Appendix-A)

24. Public accountability means accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs.

AASB1053(Appendix-A)

25. A for-profit private sector entity has public accountability if:
    (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
    (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

AASB1053(Appendix-B)

26. The following for-profit entities are deemed to have public accountability:
    (a) disclosing entities (see paragraph 43 below), even if their debt or equity instruments are not traded in a public market or are not in the process of being issued for trading in a public market
    (b) co-operatives that issue debentures
    (c) registered managed investment schemes
    (d) superannuation plans regulated by the Australian Prudential Regulation Authority (APRA) other than Small APRA Funds as defined by APRA Superannuation Circular No. II.E.1 *Regulation of Small APRA Funds,* December 2000, and
    (e) authorised deposit-taking institutions.

IFRS-for-SMEs(1.4)
IFRS-for-SMEs(BC57)

27. Not all entities that hold assets in a fiduciary capacity for a broad group of outsiders are publicly accountable. If the assets are held merely for reasons incidental to the entity's primary business, the definition of public accountability would not be satisfied. Examples of such entities may include travel or real estate agents, schools, charitable organisations, co-operative enterprises and utility companies. An entity only has public accountability under the second leg of the definition if the holding of assets in a fiduciary capacity is one of the entity's primary businesses.

Not-for profit and public sector entities

AASB1053(11),(13),(15)

28. The Australian Government and all of the State, Territory and Local Governments must continue to apply the tier 1 requirements for their whole-of-government and general government sector financial reports. All other public sector entities and all not-for-profit private sector entities are permitted to use tier 2 and provide reduced disclosures, unless a relevant regulator requires compliance with tier 1.

IFRS compliance

AASB101(RDR15.2),
(RDR16.1)

29. Because of the reduced disclosures, entities applying tier 2 reporting requirements **will not** be able to state compliance with IFRSs. Instead, entities will have to make an explicit and unreserved statement of compliance with Australian Accounting Standards – Reduced Disclosure Requirements where they comply with all requirements of the reduced disclosure regime.

Further information

30. For more detailed information about the reduced disclosure regime and an illustration of the types of disclosures that can be removed if an entity is eligible to report under tier 2 please refer to our VALUE ACCOUNTS Reduced Disclosure Pty Limited publication. This publication is available from our web site at http://www.pwc.com.au/assurance/ifrs.

(d) Reporting entity concept and general purpose financial statements

AASB101(Aus1.1)
AASB107(Aus1.1)
AASB108(Aus2.1)
AASB1048(2)(a)
AASB1054(2)

31. AASB accounting standards generally only apply to reporting entities and financial statements that are, or are held out to be, GPFSs. However, AASB 101 *Presentation of Financial* Statements*, AASB 107 Statement of Cash Flows, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 1048 Interpretation and Application of Standards and AASB 1054 Australian Additional Disclosures* all apply to each entity that is required to prepare financial reports in accordance with Chapter 2M of the Act. As a result, these standards must be applied when preparing statutory financial reports for all:
    (a) public companies
    (b) large proprietary companies
    (c) small proprietary companies required to comply with the large proprietary company reporting requirements (eg certain foreign controlled small proprietary companies)
    (d) registered schemes

    even if they are not reporting entities.

Small proprietary companies

CA293,294

32. Small proprietary companies requested to prepare financial reports by ASIC or members holding at least 5% of the voting rights will not need to apply the above standards if the requests specify that the reports do not have to comply with them.

CA45A(2)

33. A proprietary company is a small proprietary company for a financial year if at least two of the following conditions are satisfied:
    (a) consolidated revenue is less than $25 million
    (b) consolidated gross assets at the end of the year are less than $12.5 million
    (c) the company and the entities it controls have fewer than 50 employees at the end of the financial year.

CA45A(6)

34. Consolidated revenue and consolidated assets must be calculated in accordance with accounting standards in force at the relevant time even if the standards do not otherwise apply, eg because the company is not a reporting entity. The consolidation must include the parent entity and any entities it controls under the principles in AASB 10 *Consolidated Financial Statements,* but excludes any controlling entity or sister entities.

CA45A(5)

35. Employees are to be counted on a full-time equivalent basis as at the end of the financial year. Part-time employees are counted as an appropriate fraction of a full-time equivalent. Seasonal or casual employees are only included if they were employed on the last day of the financial year.

36. There is no definition of 'employees' in the *Corporations Act 2001* so the common law must be relied on for guidance. The most commonly applied criterion is the presence of a right of control by the employer over the manner in which an employee works.

Reporting entities

SAC1(40)
AASB101(Aus7.2)
AASB1053(Appendix-A)

37. Reporting entities are defined in SAC 1 *Definition of the Reporting Entity* as ''all entities (including economic entities) in respect of which it is reasonable to expect the existence of users dependent on general purpose financial statements for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources''.

AASB101(7)

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

SAC1(19)-(22)

39. Guidance on determining whether an entity is a reporting or non-reporting entity is set out in SAC 1. The primary factors outlined in SAC 1 include:
    (a) the level of separation of management and ownership
    (b) economic or political importance/influence; for example, dominant market position, and
    (c) financial characteristics such as size and indebtedness.

ASIC-RG85

40. ASIC has issued a guide Reporting requirements for non-reporting entities in which it expresses concern that some companies which are required to prepare financial reports under the Act prepare special purpose financial statements on the basis they are not reporting entities when this may not be the case.

41. ASIC will look closely at cases where entities claim to be non-reporting entities and will seek explanations from directors where it appears reasonable to expect that there are users dependent on general purpose financial statements. An entity should not be regarded as a non-reporting entity solely because there is little or no separation between its members and management. If the company has a significant number of creditors or employees, ASIC believes it would be reasonable to expect the existence of users dependent on general purpose financial statements. Directors should bear this in mind when deciding whether or not an entity is a reporting entity.

CA296

42. Directors of an entity that identifies itself as a non-reporting entity and elects not to adopt the requirements of all accounting standards would be in breach of the requirement to comply with accounting standards contained in CA 296 if the circumstances of the entity indicate it is a reporting entity.

(e) Disclosing entities

CA111AC
CA111AD

43. A body is a disclosing entity if it has issued ED (short for 'enhanced disclosure') securities. Disclosing entities include:
    - (a) entities that are listed on a prescribed financial market (limited to Australian markets) [CA111AE]
    - (b) entities that issue securities (other than debentures and managed investment products) pursuant to a disclosure document, and after such an issue, and at all times since the issue, at least 100 persons held securities in the relevant class [CA111AF]
    - (c) entities that issue managed investment products under a Product Disclosure Statement, if at least 100 persons hold such products [CA111AFA]
    - (d) entities that issue securities (other than debentures) as consideration for offers under an off-market takeover bid, and after such an issue, and at all times since the issue, at least 100 persons held securities in the relevant class [CA111AG(1)]
    - (e) entities whose securities are issued under a compromise or scheme of arrangement, and after such an issue, and at all times since the issue, at least 100 persons held securities in the relevant class [CA111AG(2)]
    - (f) borrowers required to appoint a trustee under CA 283AA. [CA111AI]

44. By their very nature, all disclosing entities are reporting entities and therefore have to prepare general purpose financial statements.

Modifications to disclosing entity provisions

45. Modifications to the disclosing entity provisions have been made as follows:
    - (a) the following securities have been declared not to be ED securities:
        - (i) listed securities of an entity classified as an exempt foreign entity under ASX Listing Rule 1.11 (known as an ASX Foreign Exempt Listing) [CR1.2A.01(a)]
        - (ii) securities quoted on the Australian Bloodstock Exchange Limited [CR1.2A.01(b)]
    - (b) the following entities have been exempted from the disclosing entity provisions:
        - (i) foreign companies issuing securities under foreign takeover offers or schemes of arrangement (where the requirements of CR 1.2A.02 are met) [CR1.2A.02]
        - (ii) foreign companies offering shares for issue or sale to Australian employees under an employee share scheme in respect of which a disclosure document is lodged with ASIC. [CR1.2A.03]

Disclosing entities which cease to be disclosing entities before deadline

ASIC2016/190
ASIC-RG68(49),(50)

46. *ASIC Corporations (Disclosing Entities) Instrument 2016/190* applies to entities which cease to be disclosing entities after the end of a financial year but before the earlier of:
    - (a) 3 months after the end of the financial year, and
    - (b) if the entity is required to have an annual general meeting (AGM), 21 days before the date of the next AGM after the end of the financial year.

ASIC2016/190
ASIC-RG68(49),(50)

47. The instrument provides relief from the full-year financial reporting requirements of Chapter 2M of the Act to the extent that those requirements apply to the entity as a disclosing entity, on condition that:
    - (a) the entity complies with the requirements of Chapter 2M as if it had not been a disclosing entity at the end of the financial year, and
    - (b) the directors of the entity resolve before the earlier of the dates in paragraph 46 that there are no reasons to believe that the entity may become a disclosing entity before the end of the next financial year.

(f) Companies limited by guarantee

48. Companies limited by guarantee are subject to a three-tiered differential reporting framework:

CA45B
CA292(3)
CA294A
CA294B
CA301(3)

(a)	Companies with revenue less than $250,000 that are not *deductible gift recipients* within the meaning of the *Income Tax Assessment Act 1997*	do not need to prepare or lodge any financial reports, unless they are directed to do so by members or ASIC
(b)	Companies with revenue less than $250,000 that are *deductible gift recipients*, and Companies with revenue more than $250,000 but less than $1 million	need to prepare and lodge a full financial report, but can choose to have that report reviewed rather than audited
(c)	Companies with revenue of $1 million or more	must lodge an audited financial report

Companies that are registered charities (see below) are exempt from complying with the financial reporting requirements of the Act and must instead comply with the requirements in the *Australian Charities and Not-for-Profit Commission (ACNC) Act 2012.*

(g) Registered charities

ACNC(60-10),(60-20),(60-25),(205-25)

49. Charities that are registered with the Australian Charities and Not-for-Profit Commission (ACNC) have a similar three-tiered reporting framework:

(a)	Small charities with annual revenue of less than $250,000	do not need to prepare a financial report, but must lodge an annual information statement (AIS)
(b)	Medium charities with annual revenue of $250,000 or more but less than $1 million that are not basic religious charities	must prepare and lodge full financial report and an AIS but can choose to have financial report reviewed rather than audited.
(c)	Large charities with annual revenue of $1 million or more that are not basic religious charities	must lodge an audited financial report and an AIS.

ACNC(60-5)

All registered charities must prepare and lodge an annual information statement (AIS). The content of the AIS is also depending on the size of the charity. Both AIS and financial report (where required) must be lodged no later than 31 December, unless the ACNC Commissioner has approved a substituted accounting period or has otherwise deferred lodgement. For further information see the ACNC web site (acnc.gov.au).

(h) Entity-specific disclosures

50. Certain accounting standards are applicable only to specified classes of entities:

AASB8(Aus2.1)(Aus2.2)
   (a) AASB 8 *Operating Segments* – applies only to listed entities and entities that file, or are in the process of filing, their financial statements with a regulator for the purpose of issuing financial instruments in a public market

AASB133(Aus1.1)
   (b) AASB 133 *Earnings per Share* – applies to entities required to prepare financial reports in accordance with Part 2M.3 of the Act that:
      (i) are reporting entities and have listed ordinary shares or are in the process of listing if they have ordinary shares, or
      (ii) elect to disclose earnings per share

AASB134(Aus1.1)
   (c) AASB 134 *Interim Financial Reporting* – applies to all general purpose interim financial reports, including half-year financial reports of each disclosing entity required to be prepared under Part 2M.3 of the Act

AASB1038(1.1)
   (d) AASB 1038 *Life Insurance Contracts* – applies only to life insurers or to parent entities in groups that include a life insurer

AASB1056
   (e) AASB 1056 *Superannuation Entities* – applies to general purpose financial statements of superannuation entities

AASB1004(1)
   (f) AASB 1004 *Contributions* – applies to not-for-profit entities and to financial statements of General Government Sectors (GGS)

AASB1049(2)
   (g) AASB 1049 *Whole of Government and General Government Sector Financial Reporting* – applies to each government's whole of government general purpose financial statements and GGS financial statements

AASB1050(2)
   (h) AASB 1050 *Administered Items* – applies to government departments

AASB1051(2)
   (i) AASB 1051 *Land Under Roads* – applies to local governments, government departments, whole of governments and financial statements of GGSs

AASB1052(3)
   (j) AASB 1052 *Disaggregated Disclosures* – applies to local governments and government departments

AASB1055(2)
   (k) AASB 1055 *Budgetary Reporting* – applies to each government's whole-of government general purpose financial statements, GGS financial statements and general purpose financial statements of not-for-profit reporting entities within the GGS.

Corporations Act relief

CA111AT,340,341
ASIC-RG43
ASIC-RG51
ASIC-RG95

51. ASIC may grant relief from certain of the financial reporting and audit requirements of the Act under CA 340 or CA 341, and disclosing entity relief may be provided under CA 111AT. Regulatory Guide 43 sets out ASIC's policy on applications for relief under CA 340 and CA 341 and indicates how it will exercise its discretionary power in granting relief. Policy relating to the granting of relief under CA 111AT is set out in Regulatory Guide 95. Further discussion of ASIC's policies and procedures on the processing of applications for relief is set out in Regulatory Guide 51.

(i) Pro-forma financial information in the financial report

ASIC-CP69
ASIC-RG230

52. In July 2005, ASIC issued a consultative paper *Disclosing pro forma financial information* which explains under which circumstances an entity is permitted to include pro-forma financial information, being information that is not specifically required to be disclosed and/or that is not prepared in accordance with relevant accounting standards, in its statutory financial report. According to the paper, pro-forma financial information may be included in the notes to the financial statements if the additional information is necessary to give a true and fair view of the financial position and financial performance of the entity for the reporting period. Where pro-forma information is included, it must not be misleading and not be presented with greater prominence than the statutory information. Pro-forma financial statements, being financial statements that purport or appear to be, for example, a balance sheet, statement of profit or loss or statement of cash flows but have not been prepared in accordance with statutory financial reporting requirements, must not be included in a financial report. Similar views are expressed in ASIC's Regulatory Guide RG 230 *Disclosing non-IFRS financial information.*

53. ASIC may grant special relief from these requirements, however, it is expected that this will only occur in rare and exceptional circumstances. One example of where relief has been granted relates to the disclosure of pro forma information for a business combination which occurred after the reporting period. See the commentary to note 19 for further information.

(j) Consolidated financial statements

CA295(2)(b) AASB10(Aus3.1),(4) (Aus4.2)

54. A parent entity must prepare consolidated financial statements in accordance with AASB 10 *Consolidated Financial Statements* if:
    - it is a reporting entity itself, or
    - the group of which it is the parent entity is a reporting entity

AASB10(Appendix A)

55. A parent entity is an entity that controls one or more entities (subsidiaries). An investor controls another entity, and therefore is a parent entity, where the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power of the investee.

AASB10(Appendix A), (B86)

56. Consolidated financial statements are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity. They combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries and offset the carrying amount of the parent's investment in each subsidiary with the parent's portion of equity of each subsidiary. Intragroup balances, transactions, income and expenses are eliminated in full.

CA323

57. If an entity is required to prepare consolidated financial statements, a director or officer of a subsidiary must give the parent entity all information requested that is necessary to prepare the consolidated financial statements and the notes to those statements.

58. Relief from preparing consolidated financial statements is only available where:
    - the impact of consolidation is not material (see paragraphs 12 and 13 above)
    - AASB10(4),(Aus4.2) the parent is an intermediate parent and the conditions in AASB 10 paragraphs 4 and Aus4.2 are satisfied (see paragraphs 60 and 61 below), or
    - ASIC2016/785 the parent entity is relieved from preparing financial reports under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* because it is a wholly-owned subsidiary company which has entered into a deed of cross guarantee with its holding company.

59. The preparation of consolidated financial reports by non-reporting entities is discussed in paragraphs 74 and 75 below.

Consolidated financial statements of intermediate parents

60. A parent entity does not need to present consolidated financial statements if (and only if):

AASB10(4)

(a) the parent is an intermediate parent and the owners do not object to the parent not preparing consolidated financial statements
(b) the parent's debt or equity instruments are not publicly traded
(c) the parent has not filed, or is not in the process of filing, its financial statements with a regulatory body for the purpose of issuing any class of instruments in a public market, and
(d) the ultimate parent or an intermediate parent produces consolidated financial statements for public use that comply with IFRS.

AASB10(Aus4.2)

However, the ultimate Australian parent must also present consolidated financial statements if either the parent and/or the group are reporting entities.

AASB10(Aus4.1), (AG1)

61. Not-for-profit entities or entities reporting under the reduced disclosure regime can also apply this relief, provided the entity seeking relief is subject to the same reporting requirements as the parent and is not required to produce full IFRS compliant financial statements. Please refer to the table in the Application Guidance to AASB 10 for details.

(k) Stapled securities and dual listed company arrangements

AASB3(43)(c)

62. The following transactions are business combinations that are achieved by contract alone:
    - the stapling of equity securities of two or more legal entities, such that the securities cannot traded or transferred independently and those entities have the same owners, and
    - dual-listed company (DLC) arrangements between two listed legal entities in which their activities are managed under contractual arrangements as a single economic entity while retaining their separate legal identities.

AASB3(43)(c),(44)

63. AASB 3 *Business Combinations* specifically includes business combinations that are achieved by contract alone in its scope. One of the combining entities must therefore be identified as the parent entity. This parent entity will prepare consolidated financial statements in accordance with the general principles in AASB 3 and AASB 10 *Consolidated Financial Statements*. Accordingly, the identifiable assets, liabilities and contingent liabilities of the acquired entity (entities) must be recognised at their fair value. However, they will be attributed to non-controlling interest. Goodwill will only be recognised where the entity elects to measure the non-controlling interest at fair value. Where the non-controlling interest is measured at the proportionate share of the net assets, no goodwill arises

64. On transition to AASB 10 from AASB 127 *Consolidated and Separate Financial Statements*, some expressed concern that the new control definition in AASB 10 could prevent stapled entities from preparing consolidated financial statements, despite them falling within the scope of AASB 3. In May 2014, the IFRS Interpretations Committee confirmed that this was not the case. The combining entity in the stapling arrangement that is identified as the acquirer for the purpose of AASB 3 must prepare consolidated financial statements of the combined entity in accordance with AASB 10.

ASIC13/1050
ASIC13/1644

65. In the meantime, ASIC had issued Class Order 13/1050 *Financial reporting by stapled entities* (amended by CO 13/1644) which preserves the status quo for existing stapled groups, as summarised in the table below, including the transitional relief for pre-IFRS staplings. The class order requires some minor additional disclosures to be provided in the financial statements of stapled groups.

ASIC2015/838

66. In addition to the consolidated financial statements for the stapled group as a whole, each individual stapled entity that is required to prepare financial reports under Chapter 2M of the *Corporations Act 2001* must also prepare individual financial statements that cover the entity itself and any subsidiaries controlled by that entity. To ease the reporting burden, ASIC has issued *ASIC Corporations (Stapled Group Reports) Instrument* 2015/838 (formerly class Order 05/642 *Combining financial reports of stapled security issuers)* which permits issuers of stapled securities to present their financial statements and the consolidated or combined financial statements of the stapled group in adjacent columns in one financial report. The instrument also allows directors' reports and directors' declarations to cover more than one stapled issuer provided the directors are the same for all of the entities.

ASIC-RG29

67. ASIC Regulatory Guide 29 *Financial reporting by Australian entities in dual listed company arrangements* sets out the financial reporting requirements for entities in DLC arrangements, including what type of information must be lodged and distributed to members.

68. As a result of various transitional relief and Class Order 13/1050, financial reports of stapled entities and DLCs are prepared on different bases, depending on when the stapling was formed or the DLC arrangement was entered into. The following table summarises the different methods that applied at different times. This explains, for example, why not all stapled groups will show non-controlling interests for their stapled entities.

	When stapling was formed or DLC arrangement entered into	Requirements
AASB3(43)(c),(44)	After AASB 3 (revised) became effective – 1 July 2009	Entities are required to identify an acquirer under AASB 3 and prepare consolidated financial statements under AASB 10. Identifiable assets, liabilities and contingent liabilities of the acquired entity (entities) must be recognised at their fair value. However, they are attributed to non-controlling interest. Goodwill is only recognised where the entity elects to measure the non-controlling interest at fair value. Where the non-controlling interest is measured at the proportionate share of the net assets, no goodwill arises.
AASB-I1002	After adoption of IFRS (1 January 2005) but before AASB 3 (revised) became effective	Business combinations that are achieved by contract alone were excluded from the scope of AASB 3. Stapled entities were required to identify an acquirer under AASB Interpretation 1002 *Date-of-Transition Stapling Arrangements,* and prepare consolidated financial statements. The principles of AASB-I 1002 were generally consistent with AASB 3 (revised), except that there was no choice to measure the non-controlling interest at its fair value and hence goodwill could never be recognised.
UIG1001(16),(17)		DLC arrangements were required to apply the requirements of AASB 108 to determine an appropriate accounting policy.
AASB1(18),Appendix C UIG1013(7)-(9)	Before transition to IFRS, where the entity has applied the exemptions for business combinations in AASB 1	Entities with stapling arrangements had to identify one of the combining entities as the parent entity on the date of transition to IFRS. This parent entity prepares a consolidated financial report for the stapled entity, but is permitted to do so on the same basis as the combined financial report for those entities immediately before adopting IFRS (ie without applying purchase accounting principles and eliminating the equity of the controlled entities).
UIG1001(6)-(9)		The consolidated financial report of each DLC parent entity shall be the combined financial report of the dual listed entities prepared on the same basis as the combined financial report for those entities immediately before adopting IFRS.

(l) Reporting requirements for non-reporting entities

CA297

69. An entity reporting under Chapter 2M of the Act that is not a reporting entity need not comply with accounting standards other than AASB 101, AASB 107, AASB 108, AASB 1048 and AASB 1054 when preparing statutory financial reports which are special purpose financial statements. The Act, however, still requires that the financial reports give a true and fair view of the financial position and performance of the entity. The comments in paragraphs 70 to 79 below should be borne in mind, especially paragraph 72. These comments summarise ASIC's views as expressed in Regulatory Guide 85 *Reporting requirements for non-reporting entities*, which discusses the application of accounting standards to non-reporting entities required to prepare financial reports under the Act and of the reporting entity test.

AASB1054(6)

70. Special purpose financial statements are financial statements other than general purpose financial statements. For guidance on determining when an entity may be a non-reporting entity refer to paragraphs 39 to 42 above.

71. Where financial statements are to be prepared for a non-reporting entity as special purpose financial statements, the directors (or their equivalent) must ensure that the shareholders and other potential users of the financial statements:
    (a) understand that the financial statements can only be used for the special purpose for which they are prepared and cannot be used for any other purpose, and
    (b) understand that the auditor, where applicable, will issue a special purpose audit report on the financial statements.

Compliance with recognition and measurement requirements

ASIC-RG85

72. ASIC believes that non-reporting entities, which are required to prepare financial reports in accordance with the Act, must still comply with the recognition and measurement requirements of all applicable accounting standards in order to give a true and fair view of their financial position and results of their operations. Non-compliance with the recognition and measurement requirements may further result in a breach of CA 1308 (giving false and misleading information) and CA 254T (paying dividends).

73. The recognition and measurement requirements of accounting standards include, but are not limited to, requirements relating to depreciation of non-current assets, tax effect accounting, lease accounting, measurement of inventories, and recognition and measurement of liabilities for employee entitlements. The provisions of accounting standards dealing with the classification of items as assets, liabilities, equity, income and expenses also apply. This would include the provisions of AASB 132 *Financial Instruments: Presentation* concerning the classification of financial instruments issued as debt or equity.

Consolidated financial statements

ASIC-RG85
AASB10(Aus3.1),
(4),(Aus4.1),(Aus4.2)

74. Consolidation is prima facie also a recognition and measurement requirement. However, ASIC did not consider consolidation necessary for the financial report to give a true and fair view when Regulatory Guide 85 was issued in July 2005. As the guide has neither been withdrawn nor updated, it can still be applied, although in the context of AASB 10. Consolidated financial statements should therefore be prepared if either the parent entity or the group is a reporting entity unless the criteria in AASB 10 paragraph 4 are met (see paragraph 58 above). This is in contrast to RG 85 which states that the sole determining factor is whether the group is a reporting entity.

75. The financial statements of a non-reporting parent entity which does not prepare consolidated financial statements should include a note stating that consolidated financial statements have not been prepared because neither the parent nor the group is a reporting entity. An example of such a note is as follows:

> Consolidated financial statements have not been prepared for the company and its subsidiaries because neither the company nor the group is a reporting entity and the directors have decided not to comply with AASB 10 *Consolidated Financial Statements.* These financial statements should be read in conjunction with the separate financial statements of the subsidiaries listed in note X.

Compliance with disclosure requirements

CA295(3)(c)
CA297

76. Directors of non-reporting entities must also consider carefully the need to make disclosures which are not prescribed by the mandatory accounting standards, but which may be necessary in order for the financial statements to give a true and fair view. If knowledge of the matters is necessary for the financial statements to give a true and fair view, the directors should include the appropriate disclosures in the financial statements. Such disclosures could include significant related party transactions or contingent liabilities.

77. Non-reporting entities that hold out their financial statements to be general purpose financial statements must comply with all relevant requirements of accounting standards and interpretations.

APES205(6)

78. Members of the Accounting Bodies who are involved in, or are responsible for, the preparation, presentation, audit, review or compilation of an entity's special purpose financial statements are required, except where the statements will be used solely for internal purposes, to take all reasonable steps to ensure that the special purpose financial statements, and any associated audit, review or compilation report clearly states:
    (a) that the financial statements are special purpose financial statements
    (b) the purpose for which the financial statements have been prepared, and
    (c) the significant accounting policies adopted in the preparation and presentation of the special purpose financial statements.

79. Illustrative special purpose financial statements for a proprietary company that is required to prepare financial reports under the Act, but is not a reporting entity, are included in the VALUE ACCOUNTS Special Purpose publication covering the reporting obligations of non-reporting proprietary companies. This publication is available in electronic form from your usual PwC contacts.

Reduced disclosure regime and special purpose financial statements

80. Tier 2 of the reduced disclosure regime in AASB 1053 can only be applied by entities that prepare general purpose financial statements. Non-reporting entities that prepare special purpose financial statements will therefore have to comply with all disclosures requirements in AASB 101, AASB 107, AASB 108 and AASB 1054 even if there are some disclosures in these standards that could be omitted by entities reporting under tier 2 of the reduced disclosure regime (eg auditor's remuneration and reconciliation of operating cash flows).

Non-statutory financial reports

81. A small proprietary company that is not a reporting entity and is not required by the Act or ASIC to prepare a financial report has more scope to adopt accounting policies which do not comply with specific recognition or measurement requirements than entities which are required to prepare financial statements which give a 'true and fair view'. Provided such an entity is not subject to some other legislation, agreement or constituent document which requires the preparation of financial statements which give a true and fair view it will not normally need to comply with the Act, AASB or AAS accounting standards or AASB and UIG interpretations if the financial statements are prepared as special purpose financial statements. However, it may choose to do so voluntarily, particularly with the recognition and measurement rules if they are relevant for the specific purpose for which the statements are being prepared. If special purpose financial statements are prepared, the requirements of APES 205 *Conformity with Accounting Standards* described in paragraph 78 above are applicable.

CA293,294

82. Small proprietary companies that prepare financial statements at the request of shareholders or ASIC will need to comply with accounting standards to the extent required by the request.

SAC1
APES205

83. The reporting entity and general purpose financial reporting concepts discussed above in the context of companies are also generally applicable to non-corporate entities in the private and public sectors by virtue of the requirements of SAC 1 and APES 205. The financial statements of many unincorporated joint ventures may be special purpose financial statements.

(m) Financial years

CA323D(1),(2)

84. The first financial year of entities reporting under the Act starts on the day on which the entity is registered or incorporated and lasts for 12 months, or a period not longer than 18 months determined by the directors. Subsequent financial years must be 12 months long plus/minus seven days.

CA323D(2A)

85. Having said that, entities can change their financial year-end at any time, provided the change:
    (a) is made in good faith
    (b) is in the best interest of the entity, and
    (c) the entity has not already changed its financial year in the previous five years.

CA323D(2A)

86. However, a word of caution. If an entity changes its year-end under the new rules, this cannot result in a financial year that is longer than 12 months. For example, if a company intends to move from a June year-end to a December year-end, it will need to do this by having a six month financial year from July 2017 to December 2017 as opposed to an 18 month financial year.

CA323D(4)
ASIC2016/189
ASIC-RG58(45)-(52)

87. Entities are also permitted to change their year-end in order to synchronise it with the year-end of an Australian controlling entity, provided the accounting standards require the preparation of consolidated financial statements and the change is made within 12 months after the change of control occurred. Controlled entities of a foreign parent can apply *ASIC Corporations (Synchronisation of Financial Years) Instrument 2016/189* to change their year-end provided there is a synchronisation requirement in the parent's place of origin.

CA323D(4)
ASIC2016/189
CA250P

88. Entities that change their year-end to synchronise it with the year-end of a controlling entity may still do this by having a financial year up to 18 months in length. Public companies need to keep in mind, though, that they are required to lay the annual report for the financial year before an AGM and to hold an AGM at least once in each calendar year. They may need to apply to ASIC for an extension of time to hold their AGM.

ASIC-INFO17

89. Where an entity has changed its financial year as permitted under the Act or ASIC instrument 2016/189, it needs to notify ASIC of the change in writing. The notification should include the start and end dates of the old and new financial year and the exception under which the entity is changing its financial year.

CA340,342
ASIC-INFO17

90. If everything else fails, entities can also apply to ASIC under section 340 of the Act for individual relief to change their financial year (see paragraph 51 above). However, ASIC can only grant relief if the entity can demonstrate that not changing the year-end, or having to do this by having a shorter financial year would impose unreasonable burdens.

(n) Rounding of financial information

AASB 101 disclosure requirements

AASB101(51)(e)

91. The level of rounding used in presenting amounts in the financial report shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented.

Rounding of amounts

ASIC2016/191

92. Financial reports and directors' reports that are prepared and lodged with ASIC under parts 2.M.3 and Part 7.8 of the Act must disclose amounts as they are recorded in the entity's financial records, which will be to the nearest dollars and cents. However, *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* permits amounts to be rounded at least to the nearest dollar, and under certain conditions even further. Subject to certain exclusions and conditions, amounts may be rounded off to the following prescribed amounts ('rounding factors'):

Assets:	**Round off to nearest:**
Less than $10 million	$1
Greater than $10 million (but less than $1,000m)	$1,000
Greater than $1,000 million (but less than $10,000m)	$100,000
Greater than $10,000 million	$1 million

Alternative rounding factors

ASIC2016/191.5(2)(b)

93. An entity may use alternative rounding factors provided that the alternative factors are:
    (a) one-tenth of one cent, one cent, $1, $1,000 or $100,000
    (b) less than the permitted rounding factor, and
    (c) consistently applied for all amounts in the financial report or directors' report to which the permitted rounding factor otherwise applied.

94. An example of the application of the above paragraph, is a company with assets in excess of $10,000 million which decides to round off to the nearest $100,000, rather than the also permitted $1 million. In such a case the company must round-off all amounts to the nearest $100,000 (except as stated in paragraphs 95 and 97–99 below). It cannot choose to round some amounts to $100,000 and others to $1 million.

Exclusions

ASIC2016/191.5(2)(b)

95. The ASIC instrument does not permit any amount to be rounded if the rounding has the potential to adversely affect:
    (a) decisions about the allocation of scarce resources made by users of the financial report and the directors' report, or
    (b) the discharge of accountability by management or the directors of the entity or in relation to the auditors.

Conditions

ASIC2016/191.5,6

96. The following conditions apply:
    (a) if the amount is half or less than half the permitted rounding factor it must be shown as 'nil' or the equivalent thereof – except that if the amounts in the financial report (including the consolidated financial statements) and the comparative figures are half or less than half the prescribed amount, the item and the amount may be omitted
    (b) comparative amounts must also be rounded
    (c) the financial report or directors' report must state that the entity is an entity to which the ASIC instrument applies and that amounts have been rounded off in accordance with the instrument
    (d) each page where rounding has occurred must clearly disclose the extent of rounding, and
    (e) where amounts are rounded to the nearest $100,000, they must be presented in the form of millions of dollars and one decimal place representing hundreds of thousands of dollars, with a clear indication that the amounts are presented in millions of dollars.

Items not subject to full rounding

ASIC2016/191

97. The following disclosures must be shown to the nearest dollar by entities with assets (or consolidated assets) of more than $10 million but not more than $1,000 million, and may only be rounded to the nearest $1,000 by entities with assets (or consolidated assets) of more than $1,000 million:

Financial statement disclosures

AASB 2(50)	Share-based payments
AASB 1054(10)	Remuneration of auditors
AASB 124(17)	Compensation of key management personnel
AASB 124(18),(19)	Related party transactions

Directors' report disclosures

CA 300(1)(g),(8),(9)	Indemnification/insurance of officers or auditors
CA 300(11B),(11C)	Non-audit services
CA 300(13)(a)	Fees paid to responsible entity and associates
CA 300A(1)(c),(1)(e)	Remuneration of directors and executives

98. The following directors' report disclosures may only be rounded to the nearest cent:

CA 300(6)(c)	Issue price of unissued shares or interests under option
CA 300(7)(d),(e)	Amounts unpaid, paid, or agreed to be considered as paid, on shares or interests issued as a result of the exercise of an option.

Earnings per share

ASIC2016/191.4

99. Basic and diluted earnings per share to be disclosed under AASB 133(66)–(69) may only be rounded to the nearest one-tenth of a cent.

Illustrative wording

ASIC2016/191.5(2)(f)
AASB101(51)(e)

100. Suggested wording for the directors' report and financial report where amounts are rounded off to the nearest tenth of a million dollars or million dollars is set out below:

Rounding of amounts

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 (or financial report). Amounts in the directors' report (or financial report) have been rounded off in accordance with the instrument to the nearest tenth of a million dollars (or million dollars), or in certain cases, to the nearest thousand dollars.

Application to other financial reports and financial statements

ASIC2016/191

101. The instrument applies to all financial reports prepared and lodged under chapter 2M.3 of the Act, including half-year and concise reports. In addition, the instrument also permits rounding in profit and loss statements and balance sheets lodged with ASIC by the holder of an AFSL under section 989B of the Act. The same conditions must be satisfied, including the requirement for a clear disclosure of the extent of rounding, and a reference to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

(o) Indemnification and insurance of officers and auditors

CA9,199A,199B, 300(1)(g),(8),(9)

102. The directors' report must disclose information about any indemnification or insurance arrangements that are permitted under CA 199A and 199B of the *Corporations Act 2001*. The provisions cover past and present officers or auditors. An officer is defined in CA 9 to mean:
   - (a) a director or secretary of the corporation, or
   - (b) a person:
     - (i) who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the corporation, or
     - (ii) who has the capacity to affect significantly the corporation's financial standing, or
     - (iii) in accordance with whose instructions or wishes the directors of the corporation are accustomed to act (excluding advice given by the person in the proper performance of functions attaching to the person's professional capacity or their business relationship with the directors or the corporation), or
   - (c) a receiver, or receiver and manager, of the property of the corporation, or
   - (d) an administrator of the corporation, or
   - (e) an administrator of a deed of company arrangement executed by the corporation, or
   - (f) a liquidator of the corporation, or
   - (g) a trustee or other person administering a compromise or arrangement made between the corporation and someone else.

Insurance

CA199B

103. The disclosure in the VALUE ACCOUNTS Holdings Limited directors' report relates to an insurance arrangement. CA 199B prohibits a company or a related body corporate from insuring an officer or an auditor (whether the premium is paid directly or through an interposed entity) against liabilities (other than for legal costs) arising out of:
   - CA199B(1)(a) (a) conduct involving a wilful breach of duty in relation to the company, or
   - CA199B(1)(b) (b) a contravention of CA 182 or 183 (improper use of position or information by individual to gain advantage for self or some other person, or to cause detriment to company).

CA300(1)(g),(8)(b)

104. For insurance arrangements that are not prohibited under CA199B, CA 300(8) requires disclosure of details of any premium paid, or agreed to be paid, for insurance against a current or former officer's or auditor's liability for legal costs.

CA300(9)(a)-(c),(f)

105. Specific disclosures required in relation to insurance arrangements are:
   - (a) for officers – their name or the class of officer to which they belong or belonged
   - (b) for auditors – their name
   - (c) except where prohibited by the insurance contract:
     - (i) the nature of the liability, and
     - (ii) the amount of the insurance premium.

Indemnities for officers and auditors

CA300(1)(g),(8)(a)

106. The directors' report must disclose details of any indemnity given to a current or former officer or auditor against a liability that is permitted under CA 199A(2) or (3), or any relevant agreement under which an officer or auditor may be given an indemnity of that kind. Generally, the disclosure of an indemnity will mirror the wording of the relevant indemnity in the contract or auditor's engagement letter.

107. CA 199A(2) prohibits a company or a related body corporate from indemnifying an officer or an auditor (whether by agreement or by making a payment and whether directly or through an interposed entity) against any of the following liabilities:
   - CA199A(2)(a) (a) owed to the company or a related body corporate
   - CA199A(2)(b) (b) for a pecuniary penalty order under CA 1317G or a compensation order under CA 1317H or CA 1317HA, and
   - CA199A(2)(c) (c) owed to a third party and which did not arise out of conduct in good faith.

CA199A(2) CA 199A(2) does not apply to a liability for legal costs.

108. CA 199A(3) prohibits a company or a related body corporate from indemnifying an officer or an auditor (whether by agreement or by making a payment and whether directly or through an interposed entity) against legal costs incurred in defending an action if the costs are incurred:

CA199A(3)(a) (a) in defending or resisting proceedings in which the person is found to have a liability for which they could not be indemnified under CA 199A(2)

CA199A(3)(b) (b) in defending or resisting criminal proceedings in which the person is found guilty

CA199A(3)(c) (c) in defending or resisting proceedings brought by ASIC or a liquidator for a court order if the grounds for making the order are found by the court to have been established, or

CA199A(3)(d) (d) in connection with proceedings for relief to the person under the *Corporations Act 2001* in which the court denies the relief.

CA199A(3) 109. CA 199A(3)(c) (paragraph 108(c) above) does not apply to costs incurred in responding to actions taken by ASIC or a liquidator as part of an investigation before commencing proceedings for the court order.

CA300(9)(a)-(e) 110. Specific disclosures required where an indemnity has been given or agreed to be given are:

(a) for officers – their name or the class of officer to which they belong or belonged
(b) for auditors – their name
(c) the nature of the liability
(d) for an indemnity given – the amount the company paid and any other action the company took to indemnify the officer or auditor, and
(e) for an agreement to indemnify – the amount that the agreement requires the company to pay and any other action the relevant agreement requires the company to take to indemnify the officer or auditor.

Other illustrative disclosures

CA300(9)(a)-(e) 111. Following are illustrative examples of disclosures which might be made with respect to an indemnity to comply with CA 300(8). Whether an indemnity requires disclosure and the details required to be disclosed will need to be decided on a case by case basis. Legal advice should be sought if there is any doubt as to the disclosure required to comply with CA 300(8).

Indemnities for officers

CA300(1)(g),(8)(a),(9)(a),(c),(d)

During the financial year, VALUE ACCOUNTS Holdings Limited gave the chief executive officer, Mr N T Toddington and the company secretary, Ms S M Smith an indemnity against legal costs incurred in successfully defending proceedings brought against Mr Toddington and Ms Barker, in their capacity as officers of the company under the Fair Trading Act. The amount paid by the company was $20,000.

Agreement to indemnify officers

CA300(1)(g),(8)(a),(9)(a),(c),(e)

During the financial year, VALUE ACCOUNTS Holdings Limited agreed to indemnify each director and secretary of the company and of its Australian based subsidiaries against any liability:

(a) to a party other than VALUE ACCOUNTS Holdings Limited or a related body corporate, but only to the extent that the liability arises out of conduct in good faith, and
(b) for legal costs incurred in connection with proceedings for relief to the director or secretary under the *Corporations Act 2001* in which the court grants the relief.

The amount payable under the agreement is the full amount of the liability. No liability has arisen under these indemnities as at the date of this report.

Agreement to indemnify auditor

CA300(1)(g),(8)(a),(9)(b),(c),(e)

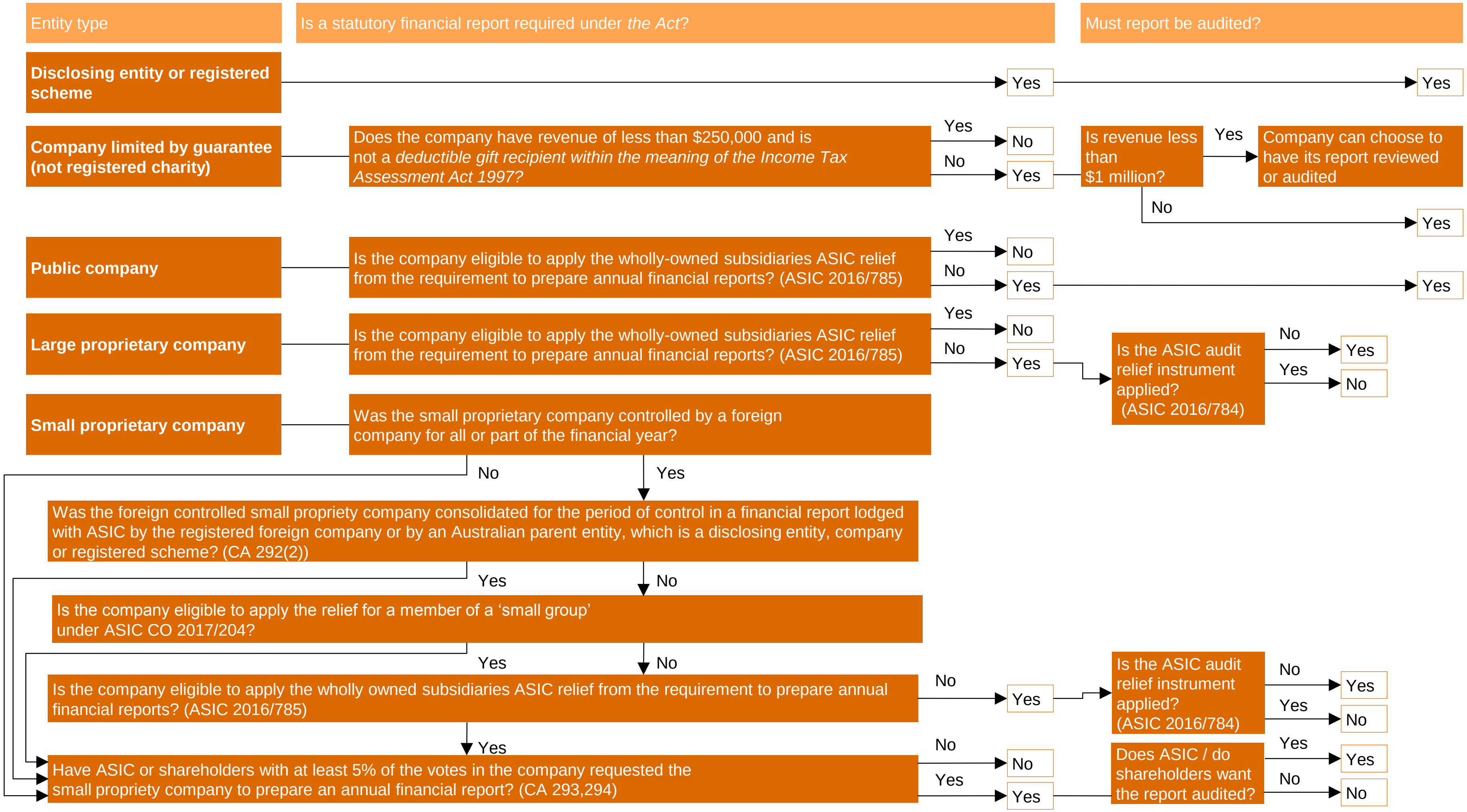
During the financial year, VALUE ACCOUNTS Holdings Limited agreed to indemnify Checker & Co, the former auditors of its subsidiary, VALUE IFRS Trading Limited, against:

(a) all liabilities (other than liabilities to VALUE ACCOUNTS Holdings Limited, VALUE IFRS Trading Limited or a related body corporate) arising out of their duties as auditor of VALUE IFRS Trading Limited in the period 1 January 2017 up to the date of their resignation on 29 October 2017, but only to the extent that the liability arises out of conduct in good faith
(b) legal costs incurred in defending an action for a liability within the scope of the indemnity referred to in paragraph (a).

The amount payable under the agreement is the full amount of the liability. No liability has arisen under this indemnity as at the date of this report.

Appendix B: Preparation and audit of annual statutory financial reports

This flowchart identifies which entities must prepare audited financial reports under Chapter 2M of the *Corporations Act 2001* (the Act).



Corporations Act entities

The following table provides a brief summary of the types of entities that are regulated under the *Corporations Act 2001*.

	Type of company	Description
CA45A,112,113,148	Proprietary company	• Can have no more than 50 non-employee shareholders • Must have 'Proprietary' in its name (or Pty) • Normally limited by shares, but can also be unlimited • Name must indicate whether limited ('Limited' or 'Ltd') or unlimited • Financial reporting obligations depend on whether the company is 'large' or 'small', see paragraphs 32 to 36 of Appendix A
CA9,112	Public company	• A company other than a proprietary company • Can be limited by shares, limited by guarantee, no liability (mining companies only) or unlimited • Name must indicate whether the company is a no liability company (NL) or a limited company; an exception exists for companies limited by guarantee which are set up for charitable purposes.
CA9 CA601ED CA601FA CA601FB	Managed investment scheme	A scheme with the following features: • people contribute consideration to acquire rights to benefits produced by the scheme • the contributions are pooled or used in common enterprise, and • the members do not have day-to-day control over the operation of the scheme. Time sharing schemes are also MIS. Other types of entities are, however, specifically excluded, see the definition of MIS in section 9 of the Act. MIS have to be registered if • they have more than 20 members, • they were/are promoted by a person in the business of promoting schemes, or • ASIC determines that there are a number of schemes that are closely related and which, in aggregate, have more than 20 members. Registered MIS must have a responsible entity which is a public company that holds an AFS licence authorising it to operate a scheme. The responsible entity is liable to scheme members for all aspects of the scheme's operation. It can delegate any aspect of operations to a third party (eg a custodian), but it cannot delegate its liability.
CA9 CR1.0.0.02A	Listed entity (company or registered scheme)	A reference to 'listed' means inclusion in the official list of a prescribed financial market operated in Australia. At present, the following markets are prescribed: • Asia Pacific Exchange Limited • ASX Limited • Chi-X Australia Pty Ltd • National Stock Exchange of Australia Limited • SIM Venture Securities Exchange Ltd.
	Disclosing entity	All listed companies & listed registered schemes are disclosing entities. Other public companies and unlisted registered schemes may also satisfy the definition of a disclosing entity in certain circumstances (see paragraph 43 of Appendix A for details).

Appendix C: Annual reporting deadlines

The annual reporting deadlines for disclosing entities, other public and proprietary companies and registered schemes are summarised in the following table. 'Annual report' refers to the financial report for the financial year, including the directors' declaration, and the audit report on that financial report. It may also refer to a concise financial report prepared under CA 314(2).

The deadlines refer to periods after the year end, except in relation to responses to the extract of particulars, and the deadline for sending a notice of annual general meeting (AGM), which refers to a period prior to the date of the meeting.

		Disclosing entities				Proprietary companies		
	Action	**Listed**	**Unlisted**	**Other public companies**[27]	**Unlisted registered schemes**	**Small**[21]	**Large**	**'Grand fathered' large**
	Sign directors declaration and report[1]	3 months	3 months	4 months	3 months	-[2,3]	4 months[2]	4 months
ASX(4.3A),(4.3B), **Listed entities only**	Lodge Appendix 4E with ASX	2 months[4-7]	-	-	-	-	-	-
CA319(3)	Lodge annual report with ASIC [19,20,24,25]	3 months[8-11]	3 months	4 months	3 months	-[2]	4 months [2,22]	-[23]
CA315(1),(3),(4)	Send annual report to members [24,25]	4 months (schemes – 3 months)[12,13]	4 months[12]	4 months[12]	3 months	-[3]	4 months	4 months
CA249H(1),249HA	Send notice of AGM	28 days[15]	21 days[14,15]	21 days[14,15]	-[17]	-[17]	-[17]	-[17]
CA250N(2)	Hold AGM [26]	5 months	5 months	5 months	-[17]	-[17]	-[17]	-[17]
CA346A-346C	Respond to ASIC re extract of particulars	Within 28 days of the date of issue of the extract by ASIC[18]						

Directors' declaration and directors' report

CA319(3)(a)

1. There is no specific deadline for signing the directors' declaration and report, but they will need to be signed by the stated deadlines to enable the annual report to be lodged with ASIC on time.

Proprietary company is a disclosing entity

CA319(3)(a)

2. A deadline of 3 months applies if the company is a disclosing entity.

Financial reports requested by shareholders or ASIC

CA315(2)
CA294(3)

3. If financial reports are requested by shareholders with at least 5% of the votes in the company, or ASIC, the deadline is the later of 4 months after year end or 2 months after the shareholder request, or, as specified in the ASIC request (the date must be a reasonable one in view of ASIC's request).

Listed entities

ASX(4.3A)
Listed entities only

4. A listed entity (except a mining or oil and gas exploration entity) must lodge the information set out in Appendix 4E (preliminary final report) with ASX. A responsible entity must give the information to ASX with any necessary adaptation. The information in Appendix 4E must use the same accounting policies as the accounts on which it is based and must comply with all relevant accounting standards. Foreign entities may provide the information in accordance with accounting standards acceptable to the ASX (eg International Financial Reporting Standards).

ASX(4.3B)
Listed entities only

5. The information referred to in paragraph 4 above must be given to ASX immediately all of it becomes available, and no later than it lodges any accounts with ASIC or the regulatory bodies in the jurisdiction in which it is established. In any event, Appendix 4E must be lodged with the ASX no later than 2 months after the end of the relevant financial year.

ASX(4.3D),(4.5A)
Listed entities only

6. Once a listed entity is or becomes aware of any circumstances which are likely to affect the results or other information contained in the preliminary final report given to the ASX under Listing Rules 4.3 or 4.3A, the entity must immediately give the ASX an explanation of the circumstances and the effects they are expected to have on the entity's current or future financial performance or financial position. There is no requirement to also include information about the circumstances in the financial statements, but some entities may wish to continue to make this disclosure, as previously required under Listing Rule 4.10.1.

ASX(5.5)
Listed entities only

7. Mining and oil and gas exploration entities are not required to lodge either Appendix 4E or Appendix 4D (half-year reporting). However, they must lodge quarterly reports which show their cash flows, changes in mining tenements and in issued securities with the ASX within one month after the end of the relevant quarter (Appendix 5B). Listed exploration entities must also lodge their annual financial report with the ASX and/or ASIC within the 3 months deadline that applies to all listed entities.

ASX(4.5)
ASIC-RG28
ASIC2016/181
Listed entities only

8. All listed entities that are established in Australia must give the annual report to the ASX when they lodge it with ASIC. They must also give the ASX a copy of any concise report at the same time. Under ASIC Regulatory Guide 28 and *ASIC Corporations (Electronic Lodgement of Financial Reports) Instrument 2016/181*, lodgement with the ASX can also satisfy a listed entity's obligation to lodge documents with ASIC. Special rules apply to entities that are not established in Australia, see ASX Listing Rules 4.5.2 and 4.5.3 for details.

ASX(4.7A)
Listed entities only

9. If an ASX Debt Listing is required to comply with CA 319 (disclosing entities) or CA 601CK (registered foreign companies), it must give ASX a copy of the documents that it lodges with ASIC no later than the time that it lodges them. If it is not required to comply with CA 319 or CA 601CK, it must give to ASX, in English, a copy of any annual accounts that it lodges with the regulatory authorities in the jurisdiction in which it is established within 10 business days of lodging them.

ASX(4.7A.1)
Listed entities only

10. If an ASX Debt Issuer was admitted on the basis of a guarantee provided by a parent entity, and the parent entity is required to comply with CA 601CK, the ASX Debt Issuer must give ASX a copy of the documents that the parent entity lodges with ASIC no later than the time that the parent entity lodges them. If the parent entity is not required to comply with CA 601CK, the ASX Debt Issuer must give to ASX, in English, a copy of any annual accounts that the parent entity lodges with the regulatory authorities in the jurisdiction in which it is established, immediately after the parent entity lodges them.

ASX(4.8)
Listed entities only

11. If securities in, or loans or advances to, an unlisted entity are a listed entity's main asset, the listed entity must give the ASX the latest accounts of the unlisted entity, together with any auditor's report or statement when the listed entity gives its annual report and any concise report to the ASX. This is not required if the unlisted entity is included in the listed entity's consolidated financial statements.

Sending annual reports to members

CA315(1)
CA314(1AA),(1AE)

12. The deadline is the latest date for sending annual reports to members. They must be sent at least 21 days before the AGM if that date is earlier. Entities may elect to make their annual report available on their web site and only send hard copy reports to those members that have requested them.

ASX(4.7),(4.7.1)
Listed entities only

13. If the annual report or concise report sent to members of a listed entity under CA 314 contains information additional to that lodged with the ASX/ASIC under Listing Rule 4.5 within 3 months after the year end (eg information required under ASX 4.10), it must give the ASX a copy of the report sent to members on the earlier of the first day it sends it to members or the last day for it to be given to members under CA 315 (ie 4 months, or 3 months for schemes). If the annual report sent to members does not include additional information/documents to those already lodged, the entity must tell the ASX that this is the case.

Annual general meeting (AGM)

CA249H(1)-(4)

14. Companies other than listed companies may specify a longer minimum period of notice of meetings if they have a Constitution. Such companies may call an AGM on shorter notice if all members entitled to attend and vote at the AGM agree beforehand. However, shorter notice is not permitted for an AGM of a public company at which a resolution will be moved to remove a director under CA 203D or to appoint a director in place of a director removed under that section. Shorter notice is also not permitted for a meeting of a company at which a resolution will be moved to remove an auditor under CA 329.

CA249J(4),(5)
CA135(1)(a),(2)

15. Under CA 249J(4), a notice of meeting sent by post is taken to be given 3 days after it is posted. A notice sent by fax, or other electronic means, or made available by electronic means, is taken to be given on the business day after it is sent or the member is notified that the notice is available.
CA 249J(4) is a replaceable rule. Replaceable rules apply to each company registered after 1 July 1998 and to any company registered before that date that repeals its Constitution. A replaceable rule may be displaced or modified by a company's Constitution.

CA250N(4)

16. A public company that has only one member is not required to hold an AGM unless specifically required to do so under its Constitution.
17. Registered schemes and proprietary companies are not required to hold AGMs unless specifically required to do so under their Constitution.

Extract of particulars

CA346A-346C
CA1351(3)(4)

18. ASIC must issue an extract of particulars to each company and registered scheme within two weeks of the entity's review date (generally the anniversary of the entity's registration), and the entity is required to correct any incorrect information within 28 days of the issue date of the extract. If the information in the extract of particulars is correct no response is required, but the annual review fee must be paid within 2 months of the review date. Companies also have the option of prepaying their annual review fee for a period of 10 years by way of a single lump sum payment.

Solvency resolution

CA347A

19. Directors who have not lodged a financial report with ASIC under Chapter 2M of the *Corporations Act 2001* within the period of 12 months before the entity's review date are required to pass a solvency resolution within 2 months after the review date. Entities to which this requirement applies include:
    (a) small proprietary companies that are not required to prepare and lodge financial reports
    (b) wholly-owned subsidiaries that have entered into deeds of cross guarantee with their parent entities and apply the ASIC relief from preparing financial reports
    (c) large proprietary companies that qualify as 'grandfathered' former exempt proprietary companies and are not required to lodge their financial reports with ASIC (see paragraph 22 below), and
    (d) companies that have failed to lodge their financial reports with ASIC, as required by the Act.

CA347B(1),(2)

20. If the directors pass a negative solvency resolution the company must notify ASIC of that fact within 7 days of passing the resolution. If the directors do not pass a solvency resolution within 2 months after the review date the company must notify ASIC of that fact within 7 days after the 2 month period following the review date.

Proprietary companies

CA315(4),319(3)

21. The large proprietary company reporting deadlines apply to foreign controlled small proprietary companies which are required to report under CA 292(2)(b) if they are not eligible to apply the relief provided by *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* (see Appendix B).

ASIC2015/840

22. Large proprietary companies eligible for relief under *ASIC Corporations (Exempt Proprietary Companies) Instrument* 2015/840 need not lodge annual reports with ASIC. Financial reports must still be prepared, audited and distributed to shareholders.

CA1408

23. Under the Instrument, a large proprietary company that is not a disclosing entity does not need to lodge an annual report with ASIC if it qualifies as a 'grandfathered' exempt proprietary company under section 319(4) of the old *Corporations Law*, which continues to have application by virtue of CA 1408. A company is a 'grandfathered' exempt proprietary company if:
    (a) it was an exempt proprietary company on 31 December 1994 and has continued to meet the definition of exempt proprietary company (as in force at 31 December 1994) at all times since that date
    (b) it was a large proprietary company at the end of the first financial year that ended after 9 December 1995
    (c) its financial statements and financial reports for the financial year ending during 1993 and each later financial year have been audited before the deadline for reporting to members for that year, and
    (d) it lodged the required notice with ASIC after the commencement of the *First Corporate Law Simplification Act* on 9 December 1995.

Externally administered companies

ASIC03/392

24. A company that has a liquidator appointed does not have to comply with Part 2M.3 (financial reporting) of the *Corporations Act* 2001. Such a company will not need to lodge an annual report with ASIC or send it to members.

ASIC03/392

25. Where a relevant external administrator is appointed in relation to a company no earlier than 3 months before the end of the company's reporting period, the company does not have to lodge an annual report with ASIC or send it to members until 6 months after that appointment. To rely on this relief, the company must comply with certain conditions set out in *ASIC Class Order 03/392.* For the purposes of the Class Order, a relevant external administrator is:
    (a) an administrator of a company
    (b) a managing controller appointed to the whole or substantially the whole of the property of a company
    (c) a provisional liquidator of a company,
    (d) where no other person was acting in one of those capacities in relation to the company at the time of their appointment.

ASIC-RG174(64)-(81)

26. ASIC may grant and externally administered public company an extension of time within which the company is required to hold an AGM. ASIC's policy in this regard is set out in Interim Policy Statement 174 *Externally administered companies*: *Financial reporting and AGMs*.

Other public companies – companies limited by guarantee

CA292(3)

27. Companies limited by guarantee are also public companies. However, they are only required to prepare and lodge a financial report if they:
    CA45B (a) are a 'deductible gift recipient' within the meaning of the Income *Tax Assessment Act 1997,* or
    CA45B (b) have revenue of more than $250,000, or
    CA292(3),294A,294B (c) have been directed by members or ASIC to do so.

    Companies that are registered charities are exempt from complying with the financial reporting requirements of the Act and must instead comply with the requirements in the *Australian Charities and Not-for-Profit Commission (ACNC) Act 2012,* see paragraph 49 of Appendix A for further information.

Appendix D: Review of operations

1. The directors' report for VALUE ACCOUNTS Holdings Limited has been prepared on the assumption that the review of operations has been presented as a separate section in the annual report. This is allowed by virtue of ASIC instrument 2016/188 – see page 44. There are no rules specifying the information a company must include in its review of operations, allowing companies flexibility to make this decision on the basis of their own unique business dynamics and those of the industry sectors in which they operate. As a result, we have not illustrated the review of operations for VALUE ACCOUNTS Holdings Limited. Instead, we have included the following guidance to assist preparers of a review of operations.

Requirements governing the review of operations

Information to be disclosed	Source of requirement	Where do the disclosures go?	Entities affected
Review of operations and the results of those operations [1]	**CA 299(1)(a)**	Directors' report or a document included with the directors' report. Cannot be transferred to the financial report	All entities
Information that members would reasonably require to make an informed assessment of the entity's: [1] (a) operations financial position business strategies and prospects for future financial years [2]	**CA 299A**	Directors' report or a document included with the directors' report. Cannot be transferred to the financial report	Listed entities
Review of operations and activities [3]	**ASX Listing Rule 4.10.17**	Anywhere in the annual report	Listed entities

1. Not required for the parent entity if consolidated financial statements are prepared (CA 299(2) and CA 299A(2)).
2. The required disclosures may omit information in relation to the entity's business strategies and prospects for future financial years if it is likely to unreasonably prejudice the entity. If material is omitted, the report must say so (CA 299A(3)), see commentary paragraph 6 on page 34 for further information.
3. Listing rule 4.10.17 is based on CA 299. ASX does not require the review of operations and activities to follow any particular format. Nor does ASX specify its contents. However, ASX supports the group of 100 publication *Guide to the Review of Operations and Financial Condition*.

While the content of the review of operations is not prescribed by legislation, there are various documents that provide guidance on the type of information to be included. Following is a brief outline of each of these guides.

ASIC guidance on review of operations

ASIC-RG247

2. ASIC's Regulatory Guide 247 *Effective disclosure in an operating and financial review* explains their expectations in relation to the disclosures contained in the operating and financial review (OFR) section within the annual report. In particular, an OFR should:
   - be presented in a single, self-contained section
   - identify underlying drivers of the entity's performance and financial position
   - disclose exposures that are not recognised in the financial statements (eg identify off-balance sheet items or undervalued assets)
   - provide information about the entity's strategy and business prospects that covers more than just the next financial year
   - provide specific disclosures about business risks that could affect the entity's achievement of its financial prospects, and
   - prominently highlight uncertainties about the entity's going concern and any qualification by the entity's auditor, or 'emphasis of matter' paragraph included in the audit opinion.

ASIC-RG247

3. The guide further explains under what circumstances entities can claim the 'unreasonable prejudice exemption to disclosure and what they need to do before they can apply it (see commentary paragraph 6 on page 34 for further information).

Group of 100 Guide

4. The Group of 100 Incorporated published a *Guide to the Review of Operations and Financial Condition* (G100 Guide) to assist listed entities in the preparation of the review of operations and activities an entity must provide to the ASX. The ASX has endorsed the guide and included it in their Guidance Note 10. Australian unlisted companies can also refer to the G100 Guide for key principles to consider when preparing a review of operations that complies with the provisions of the *Corporations Act 2001*.

5. The key objective of the review of operations, as stated in the G100 Guide, is to complement and supplement the financial statements by providing "a critical and objective analysis and explanation of a company's past and likely future performance and financial condition" including:
   - the opportunities and risks associated with the past operations of the company
   - the opportunities and risks likely to impact on the future activities of the company
   - short and long-term analyses of the business as seen through the eyes of the directors, and
   - analysis of industry-wide and company-specific financial and non-financial information that is relevant to an assessment of the company's performance and prospects.

6. To assist companies, the G100 Guide provides a framework for preparing a review of operations (see following table) and recognises that different companies will have specific disclosure needs depending on their size, industry group and other factors. Not all of the items will be relevant to all companies, nor should the guidance be regarded as a comprehensive list of the matters that should be considered by directors to be relevant to a thorough assessment of the business.

G100 Disclosure framework

Company overview and strategy	Review of operations	Investments for future performance	Review of financial condition
Description of business and external environment	Operating results for the period	Capital expenditure program	Discussion of the capital structure and treasury policy
Corporate objectives to enhance shareholder wealth	Shareholder returns in terms of dividends and increases in shareholder funds	Other activities and expenditures designed to enhance future profits	Cash from operations and other sources of cash
Strategies for achieving key business objectives	Dividend distribution policy		Discussion of liquidity and funding
Dynamics of the business			Resources of the company
Key financial and non-financial performance indicators			Impact of legislation and other external requirements
Underpinned by risk management and corporate governance frameworks			

IFRS Practice Statement *Management Commentary*

7. In December 2010, the IASB released a practice statement setting out a framework for the preparation and presentation of management commentary (i.e. review of operations) to accompany financial statements prepared in accordance with IFRS. The AASB has made the statement available to Australian constituents as guidance for entities to consider when presenting narrative reporting to accompany general purpose financial statements prepared in accordance with Australian Accounting Standards. The statement sets out the principles, qualitative characteristics and content elements necessary to provide current and potential future capital and debt providers with decision-useful information. Management commentary should provide users with integrated information that provides context for the related financial statements, including management's view on what has happened (positive and negative), why it happened and what the implications are for the company's future. Compliance with the practice statement is not mandatory.
8. Unless the ASX revises its guidance note, Australian listed entities can continue referring to the G100 guide, or they could elect to apply the new practice statement if they wished to. The two documents are not dissimilar, but the requirements of the practice statement are broader in the following areas:
   - The practice statement requires disclosure of critical financial and non-financial resources available to the entity, whereas the G100 guide only requires disclosure of capital structure, liquidity and funding.
   - The practice statement requires disclosure of an analysis of the prospects of the entity, eg targets for financial and non-financial measures; the G100 guide requires only disclosure of investments for future performance.

ASIC guide on the use of non-IFRS financial information

9. Entities should also consider ASIC Regulatory Guide 230 Disclosing non-IFRS financial information when they are compiling the review of operations. The guide applies to any financial information that is presented other than in accordance with all relevant accounting standards. ASIC acknowledges that non-IFRS financial information may be valuable in documents such as a review of operations, as it may help the users of the financial report to make informed decisions about the entity's operations and financial position, business strategies and future prospects. However, the information must be presented and explained in such a way that it is not misleading to its users. To ensure this is the case, ASIC has provided detailed guidelines which include the following points:
   - IFRS financial information should be given equal or greater prominence compared to non-IFRS financial information and non-IFRS financial information must be clearly labelled as such.
   - Entities should clearly explain how the non-IFRS financial information is calculated and reconcile it to the IFRS financial information.
   - A consistent approach must be adopted from period to period. All changes from one period to the other, including the reasons behind the change and the financial impact, should be clearly articulated.
   - Items that have occurred in the past or are likely to occur again in the future should not be described as 'one-off' or 'non-recurring'.
   - Non-IFRS financial information must be unbiased and not be used to remove 'bad news'.
   - The directors should state why they believe that the non-IFRS financial information is useful for investors to understand the entity's financial condition and results of operations.
   - There should be a statement as to whether the non-IFRS information has been audited or reviewed.

Appendix E: Alternative presentation of primary statements

AASB101(10)(b),(10A)

Consolidated statement of profit or loss and other comprehensive income – single statement, showing expenses by nature

Reference		Notes	2017 $'000	2016 Restated * $'000
AASB101(51)(c),(e) AASB101(113)				
AASB101(82)(a)	**Continuing operations**			
	Revenue	3	**197,650**	161,610
	Finance income	5(d)	**1,616**	905
	Other income	5(a)	**11,344**	12,033
	Other gains/(losses) – net	5(b)	**5,545**	(125)
	Changes in inventory		**6,681**	5,255
	Expenses			
	Raw materials		**(62,221)**	(54,668)
	Employee benefit expenses		**(56,594)**	(52,075)
	Advertising		**(14,265)**	(6,662)
	Transportation		**(8,584)**	(6,236)
	Depreciation and amortisation	8(a),8(c)	**(10,985)**	(8,880)
	Operating leases		**(1,215)**	(1,010)
	Impairment of goodwill	8(c)	**(2,410)**	-
	Write off of assets damaged by fire		**(1,210)**	-
	Other		**(5,157)**	(3,791)
AASB101(82)(b)	Finance costs	5(d)	**(7,213)**	(6,272)
AASB101(82)(c)	Share of net profit of associates and joint ventures accounted for using the equity method	16(e)	**340**	355
	Profit before income tax		**53,322**	40,439
AASB101(82)(d) AASB112(77)	Income tax expense	6	**(16,786)**	(11,824)
	Profit from continuing operations		**36,536**	28,615
AASB5(33)(a) AASB101(82)(ea)	Profit from discontinued operation (attributable to equity holders of the company)	15	**755**	399
AASB101(81A)(a)	**Profit for the period**		**37,291**	29,014
	Other comprehensive income			
AASB101(82A)(a)(ii)	*Items that may be reclassified to profit or loss*			
AASB101(82A),(7)(d) AASB139(55)(b)	Changes in the fair value of available-for-sale financial assets	9(c)	**274**	(830)
AASB101(82A),(7)(e) AASB139(95)(a)	Cash flow hedges	9(c)	**(387)**	516
AASB101(82A)	Share of other comprehensive income of associates and joint ventures	9(c)	**20**	15
AASB101(82A),(7)(c) AASB121(32)	Exchange differences on translation of foreign operations	9(c)	**(617)**	185
AASB5(38)	Other comprehensive income arising from discontinued operation	15	**130**	58
AASB101(82A),(7)(c) AASB139(102)(a)	Net investment hedge	9(c)	**190**	-
AASB101(91)	Income tax relating to these items	9(c)	**40**	89
AASB101(82A)(a)(i)	*Items that will not be reclassified to profit or loss*			
AASB101(82A),(7)(a)	Gain on revaluation of land and buildings	9(c)	**7,243**	5,840
AASB101(82A)	Share of other comprehensive income of associates and joint ventures	9(c)	**300**	100
AASB101(82A),(7)(b) AASB119(120)(c)	Remeasurements of post-employment benefit obligations	9(c)	**119**	(910)
AASB101(91)	Income tax relating to these items	9(c)	**(2,298)**	(1,509)
AASB101(81A)(b)	**Other comprehensive income for the period, net of tax**		**5,014**	3,554
AASB101(81A)(c)	**Total comprehensive income for the period**		**42,305**	32,568

AASB101(10)(b),(10A)

Consolidated statement of profit or loss and other comprehensive income – single statement, showing expenses by nature

AASB101(51)(c),(e)
AASB101(113)

Reference		Notes	2017 $'000	2016 Restated * $'000
AASB101(81B)(a)	Profit is attributable to:			
	Owners of VALUE ACCOUNTS Holdings Limited		**34,286**	26,695
	Non-controlling interests		**3,005**	2,319
			37,291	29,014
AASB101(81B)(b)	Total comprehensive income for the period is attributable to:			
	Owners of VALUE ACCOUNTS Holdings Limited		**39,399**	29,992
	Non-controlling interests		**2,906**	2,576
			42,305	32,568
	Total comprehensive income for the period attributable to owners of VALUE ACCOUNTS Holdings Limited arises from:			
	Continuing operations		**38,514**	29,535
AASB5(33)(d)	Discontinued operations		**885**	457
			39,399	29,992
AASB133(66)	**Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:**			
	Basic earnings per share	22	**55.2**	44.5
	Diluted earnings per share	22	**54.2**	44.3
AASB133(66)	**Earnings per share for profit attributable to the ordinary equity holders of the company:**			
	Basic earnings per share	22	**56.4**	45.2
	Diluted earnings per share	22	**55.4**	45.0

* See note 11(b) for details regarding the restatement as a result of an error.

Not mandatory

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

AASB101(10)(d)
AASB107(1),(10)
AASB101(113)

Consolidated statement of cash flows – indirect method

Reference		Notes	2017 $'000	2016 $'000
AASB107(10),(18)(a)	**Cash flows from operating activities**			
AASB107(14)(b)	Cash generated from operations	10(a)	**65,353**	49,670
AASB107(31)-(33)	Interest received		**1,261**	905
AASB107(31)-(33)	Interest paid		**(6,617)**	(4,044)
AASB107(14)(f),(35),(36)	Income taxes paid		**(16,443)**	(12,264)
	Net cash inflow from operating activities		**43,554**	34,267
AASB107(10),(21)	**Cash flows from investing activities**			
AASB107(39)	Payment for acquisition of subsidiary, net of cash acquired	14	**(2,600)**	-
AASB107(16)(a)	Payments for property, plant and equipment	8(a)	**(25,387)**	(17,602)
AASB107(16)(a)	Payments for investment property	8(b)	**(1,900)**	-
AASB107(16)(c)	Payments for available-for-sale financial assets		**(259)**	(2,029)
AASB107(16)(c)	Payments for held-to-maturity investments		**-**	(1,175)
AASB107(16)(a)	Payment of software development costs		**(880)**	(720)
AASB107(16)(e)	Loans to related parties		**(1,180)**	(730)
AASB107(39)	Proceeds from sale of engineering division	15	**3,110**	-
AASB107(16)(b)	Proceeds from sale of property, plant and equipment		**9,585**	639
AASB107(16)(d)	Proceeds from sale of available-for-sale financial assets		**1,375**	820
AASB107(16)(f)	Repayment of loans by related parties		**469**	626
AASB107(38)	Distributions received from joint ventures and associates	16(e)	**160**	220
AASB107(31),(33)	Dividends received		**3,300**	4,300
AASB107(31),(33)	Interest received on available-for-sale financial assets		**254**	249
	Net cash (outflow) from investing activities		**(13,953)**	(15,402)
AASB107(10),(21)	**Cash flows from financing activities**			
AASB107(17)(a)	Proceeds from issues of shares and other equity securities	9(a)	**12,413**	-
	Proceeds from calls on shares and calls in arrears	9(a)	**1,500**	-
AASB107(17)(c)	Proceeds from borrowings	10(c)	**45,903**	25,796
AASB107(17)(b)	Payments for shares bought back	9(a)	**(1,350)**	-
AASB107(17)(b)	Payments for shares acquired by the VALUE IFRS Employee Share Trust		**(1,217)**	(299)
	Share issue and buy-back transaction costs	9(a)	**(245)**	-
AASB107(17)(d)	Repayment of borrowings	10(c)	**(33,334)**	(24,835)
AASB107(17)(e)	Finance lease payments	10(c)	**(805)**	-
AASB107(42A),(42B)	Transactions with non-controlling interests	16(c)	**(1,500)**	-
AASB107(31),(34)	Dividends paid to company's shareholders	13(b)	**(22,271)**	(10,470)
AASB107(31),(34)	Dividends paid to non-controlling interests in subsidiaries	16(b)	**(3,017)**	(1,828)
	Net cash (outflow) from financing activities		**(3,923)**	(11,636)
	Net increase in cash and cash equivalents		**25,678**	7,229
	Cash and cash equivalents at the beginning of the financial year		**29,018**	21,573
AASB107(28)	Effects of exchange rate changes on cash and cash equivalents		**(248)**	216
	Cash and cash equivalents at end of year	7(e)	**54,448**	29,018
AASB107(43)	Non-cash financing and investing activities	10(b)		
AASB5(33)(c)	Cash flows of discontinued operation [6]	15		

Not mandatory *The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

10 Cash flow information

(a) Cash generated from operations

		Note	2017 $'000	2016 $'000
	Profit before income tax from			
	Continuing operations		**53,322**	40,439
	Discontinued operations	15	**1,151**	570
AASB107(18)(b),(20)	**Profit before income tax including discontinued operations**		**54,473**	41,009
	Adjustments for			
	Depreciation and amortisation	5(c)	**10,985**	8,880
	Impairment of goodwill	4	**2,410**	-
	Write off of assets destroyed by fire	4	**1,210**	-
	Non-cash employee benefits expense-share based payments		**2,156**	1,353
	Non-cash post-employment benefit expense		**(15)**	(135)
	Net (gain) loss on sale of non-current assets		**(1,620)**	530
	Gain on disposal of engineering division	15	**(760)**	-
	Fair value adjustment to investment property	8(b)	**(1,350)**	(1,397)
	Fair value adjustment to derivatives		**(400)**	(543)
	Net (gain)/loss on sale of available-for-sale financial assets	7(c)	**(646)**	548
	Fair value (gains)/losses on financial assets at fair value through profit or loss	7(d)	**(835)**	690
	Share of profits of associates and joint ventures	16(e)	**(340)**	(355)
	Gain on derecognition of contingent consideration payable	14	**(135)**	-
	Gain on remeasurement of contingent consideration receivable		**(130)**	-
	Dividend income and interest classified as investing cash flows		**(3,554)**	(4,549)
	Finance costs - net	5(d)	**5,597**	5,367
	Net exchange differences		**604**	479
	Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of engineering division:			
	(Increase) in trade debtors and bills of exchange		**(5,383)**	(5,382)
	(Increase) in inventories		**(1,108)**	(1,529)
	Decrease/(Increase) in financial assets at fair value through profit or loss		**465**	(1,235)
	(Increase)/decrease in other operating assets		**(269)**	4,822
	Increase in trade creditors		**2,233**	385
	Increase in other operating liabilities		**333**	161
	Increase in other provisions		**1,432**	571
	Cash generated from operations		**65,353**	49,670

AASB101(10)(b),(10A)

Consolidated statement of profit or loss (extract)

		Notes	2017 $'000	2016 Restated * $'000
	Revenue	3	**26,240**	27,548
AASB141(40)	Change in fair value of biological assets	8(b)	**22,500**	18,028
	Cost of sales of livestock and palm oil		**(23,180)**	(24,348)

AASB101(10)(a)

Consolidated balance sheet (extract)

		Notes	31 Dec 2017 $'000	31 Dec 2016 Restated * $'000	1 January 2016 Restated * $'000
AASB101(60),(66)	**Non-current assets**				
AASB101(54)(a)	Property, plant and equipment	8(a)	**X**	X	X
AASB101(54)(f)	Biological assets	8(b)	**4,300**	5,760	3,500
AASB101(60),(66)	**Current assets**				
AASB101(54)(f)	Biological assets	8(b)	**19,188**	12,437	18,920

* See note 26 for details about restatements for changes in accounting policies

2 Segment information

(a) Description of segments and principal activities

AASB101(138)(b)
AASB141(46)(a)

The group is engaged in the business of farming sheep primarily for sale to meat processors. The group is also engaged in the business of growing and managing palm oil plantations for the sale of palm oil. The group earns ancillary income from various agricultural produce, such as wool.

AASB8(22)(a),(b),(aa)

The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, receives separate reports for each sheep farm and palm oil plantation. However, the farms and the plantations have been aggregated into two operating segments, being sheep and palm oil, as they have the same economic characteristics.

3 Revenue

AASB8(23)(a)

The group derives the following types of revenue by operating segment:

		2017 $'000	2016 $'000
	Sheep		
AASB118(35)(b)(i)	Sale of livestock (note 8(b))	**9,225**	12,096
AASB118(35)(b)(i)	Sale of wool	**2,500**	2,350
AASB118(35)(b)(i)	Sale of palm oil (note 8(b))	**14,515**	13,102
	Total revenue	**26,240**	27,548

8 Non-financial assets and liabilities

(a) Property, plant and equipment

	Non-current	Mature oil palm trees $'000	Immature oil palm trees $'000	Freehold land $'000	Freehold buildings $'000	Other corporate assets $'000	Total $'000
	At 1 January 2016 (Restated, see (vii) below)						
AASB116(73)(d)	Cost or fair value	8,200	2,000	X	X	X	X
AASB116(73)(d)	Accumulated depreciation	-	-	X	X	X	X
	Net book amount	8,200	2,000	X	X	X	X
	Year ended 31 December 2016						
AASB116(73)(e)	Opening net book amount	8,200	2,000	X	X	X	X
AASB116(73)(e)(i),(74)(b)	Additions		2,503	X	X	X	X
AASB116(73)(e)(ix)	Transfer	3,000	(3,000)				
AASB116(73)(e)(vii)	Depreciation charge	(2,000)	-	X	X	X	X
AASB116(73)(e) AASB116(74)(b)	Closing net book amount	9,200	1,503	X	X	X	X
	At 31 December 2016 (Restated, see (vi) below)						
AASB116(73)(d)	Cost or fair value	11,200	1,503	X	X	X	X
AASB116(73)(d)	Accumulated depreciation	(2,000)	-	X	X	X	X
AASB101(77)	Net book amount	9,200	1,503	X	X	X	X
	Year ended 31 December 2017						
AASB116(73)(e)	Opening net book amount	9,200	1,503	X	X	X	X
AASB116(73)(e)(i),(74)(b)	Additions	-	4,309	X	X	X	X
AASB116(73)(e)(ix)	Transfer	2,700	(2,700)				
AASB116(73)(e)(vii)	Depreciation charge	(2,400)	-	X	X	X	X
AASB116(73)(e)(v) AASB136(126)(a),(b)	Impairment loss	-	-	X	X	X	X
AASB116(73)(e)	Closing net book amount	9,500	3,112	X	X	X	X
	At 31 December 2017						
AASB116(73)(d)	Cost or fair value	13,900	3,112	X	X	X	X
AASB116(73)(d)	Accumulated depreciation and impairment	(4,400)	-	X	X	X	X
AASB101(77)	Net book amount	9,500	3,112	X	X	X	x

AASB101(117)

(vii) Accounting for land and buildings and palm oil trees

AASB116(73)(a) 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. A revaluation surplus is credited to other reserves in shareholders' equity (note 9(b)). All other property, plant and equipment, including oil palm trees is recognised at historical cost less depreciation.

AASB116(50),(73)(b) 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:

AASB116(73)(c)

- Buildings 25-40 years
- Oil palm trees 25 years
- Corporate assets 3-10 years

The group's oil palm trees qualify as bearer plants under the definition in AASB 141 *Agriculture* and are therefore accounted for under the rules for plant and equipment. The trees are classified as immature until the produce can be commercially harvested. At that point they are reclassified and depreciation commences. Immature palm oil trees are measured at accumulated cost.

(b) Biological assets [2]

(i) Analysis by group of biological assets

AASB141(41) Biological assets comprise sheep and oil palm fresh fruit bunches (FFB) growing on palm trees.

		2017 Sheep $'000	2017 Oil palm FFB $'000	2017 Total $'000	2016 Restated Sheep $'000	2016 Restated Oil palm FFB $'000	2016 Restated Total $'000
AASB13(93)(e)							
AASB141(50)	Opening balance at 1 January	**11,450**	**6,747**	**18,197**	18,781	3,639	22,420
AASB141(50)(b)	Increase due to purchases	**5,971**	**-**	**5,971**	2,097	-	2,097
AASB141(50)(a)	Livestock losses	**(480)**	**-**	**(480)**	(350)	-	(350)
AASB141(50)(a),(51)	Change in fair value due to biological transformation	**3,444**	**18,006**	**21,450**	1,430	15,500	16,930
AASB141(50)(a),(51)	Change in fair value due to price changes	**1,180**	**350**	**1,530**	1,088	360	1,448
AASB141(50)(d)	Transfer of harvested fresh fruit bunches (FFB) to inventory	**-**	**(14,115)**	**(14,115)**	-	(12,752)	(12,752)
AASB141(50)(c)	Decrease due to sale of lambs for slaughter	**(9,065)**	**-**	**(9,065)**	(11,596)	-	(11,596)
AASB141(50)	Closing balance at 31 December	**12,500**	**10,988**	**23,488**	11,450	6,747	18,197
	Current assets:						
	- Sheep held for slaughter	**8,200**	**-**	**8,200**	5,690	-	5,690
	- Oil palm FFB on trees	**-**	**10,988**	**10,988**	-	6,747	6,747
		8,200	**10,988**	**19,188**	5,690	6,747	12,437
	Non-current assets:						
	- Breeding stock – mature	**3,950**	**-**	**3,950**	5,190	-	5,190
	- Breeding stock – immature	**350**	**-**	**350**	570	-	570
	Total non-current	**4,300**	**-**	**4,300**	5,760	-	5,760

AASB141(46)(b) As at 31 December 2017 the group had 6,500 sheep (2016 – 5,397 sheep) and 3,123 sheep were sold during the year (2016 – 4,098 sheep sold).

As at 31 December 2017 there were 2,600,000 hectares of palm oil plantations (2016 – 2,170,000 hectares). During the year the group sold 550,000 kgs of palm oil (2016 – 545,000 kgs).

(ii) Accounting for biological assets

Biological assets are measured at fair value less cost to sell, see (iii) below for further information on determining the fair value.

AASB101(117) Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but excludes finance costs and income taxes.

AASB141(43) Sheep held for slaughter are classified as immature until they are ready for slaughter. Livestock are classified as current assets if they are to be sold within one year.

AASB141(7),(13) AASB116(6) The palm oil trees are bearer plants and are therefore presented and accounted for as property, plant and equipment, see note 8(a). However, the FFB growing on the trees is accounted for as biological assets until the point of harvest. Harvested FFB are transferred to inventory at fair value less costs to sell when harvested.

AASB141(26) Changes in fair value of livestock and oil palm FFB on trees are recognised in the statement of profit or loss.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services and sheering are expensed as incurred. The cost of purchase of sheep plus transportation charges are capitalised as part of biological assets.

(b) Biological assets

AASB101(117)

(iii) Measuring biological assets at fair value

AASB13(91)(a),(93)(d)

Sheep are measured at fair value less cost to sell, based on market prices at auction of livestock of similar age, breed and genetic merit with adjustments, where necessary, to reflect the differences. Market prices are obtained from the weekly auctions at the local market, which is considered the principal market for the purpose of the valuation.

AASB13(91)(a),(93)(d)

The fair value of growing oil palm FFB is determined using a discounted cash flow model based on the expected palm oil yield by plantation size, the market price for crude palm oil and palm kernel oil and after allowing for harvesting costs, contributory asset charges for the land and palm trees owned by the entity and other costs yet to be incurred in getting the fruit bunches to maturity.

Significant estimates and judgements

AASB101(122),(125)
AASB13(93)(d)

In measuring the fair value of sheep and oil palm FFB various management estimates and judgements are required:

Sheep

Estimates and judgements in determining the fair value of sheep relate to market prices, average weight and quality of animals and mortality rates.

The sheep grow at different rates and there can be a considerable spread in the quality and weight of animals that affects the price achieved. An average weight is assumed for the slaughter sheep livestock that are not yet at marketable weight.

Oil palm FFB on oil palm trees

Estimates and judgements in determining the fair value of the FFB growing on palm trees include the volume and stages of maturity of FFB at balance date, palm oil yield, the long term crude palm oil price, palm kernel oil price and the discount rates. See below for key assumptions about unobservable inputs and their relationship to fair value.

(iv) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the biological assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial and assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 7(h).

AASB13(93)(a),(b)

At 31 December 2017	Notes	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Sheep					
Mature – breeding stock		**-**	**3,950**	**-**	**3,950**
Immature – breeding stock		**-**	**350**	**-**	**350**
Held for slaughter		**-**	**8,200**	**-**	**8,200**
Oil palm FFB on trees		**-**	**-**	**10,988**	**10,988**
Total biological assets		**-**	**12,500**	**10,988**	**23,488**

AASB13(93)(a),(b)

At 31 December 2016	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Sheep					
Mature – breeding stock		-	5,190	-	5,190
Immature – breeding stock		-	570	-	570
Held for slaughter			5,690	-	5,690
Oil palm FFB on trees		-	-	6,747	6,747
Total biological assets		-	11,450	6,747	18,197

There were no transfers between any levels during the year.

(b) Biological assets

The quality of livestock sold at the local markets is considered to approximate the group's breeding and slaughter livestock. Sheep have therefore been classified as level 2 in the fair value hierarchy, since no significant adjustments need to be made to the prices obtained from the local markets.

AASB13(93)(e) The movements in the fair value of assets within level 3 of the hierarchy, being the FFB growing on trees, can be seen from the table in (i) above. The gains or (losses) recognised in relation to the palm fruit bunches are as follows:

		2017 $'000	2016 Restated $'000
AASB13(93)(e)(i)	Total gains for the period recognised in profit or loss under 'Change in fair value of biological assets'	**18,356**	15,860
AASB13(93)(f)	Change in unrealised gains or losses for the period recognised in profit or loss attributable to palm fruit bunches held at the end of the reporting period	**9,300**	5,900

(v) Valuation inputs and relationships to fair value

AASB13(93)(d),(99) The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurements of the palm fruit bunches on trees. The fair values are determined based on discounted cash flows.

AASB13(91)(a),(93)(d),(h)(i)

Description	Fair value at 31 Dec 2017 $'000	Fair value at 31 Dec 2016 $'000	Unobservable inputs *	Range of inputs (probability-weighted average) 2017	Range of inputs (probability-weighted average) 2016	Relationship of unobservable inputs to fair value
Oil palm FFB on trees	10,988	6,747	Palm oil yield – tonnes per hectare	20-30 (24) per year	20-30 (25) per year	The higher the palm oil yield, the higher the fair value
			Crude palm oil price	US$800-$1,100 ($900) per tonne	US$750-$1,070 ($900) per tonne	The higher the market price, the higher the fair value
			Palm kernel oil price	US$1,000 - $1,200 ($1,050) per tonne	US$900 - $1,150 ($1,030) per tonne	
			Discount rate	9%-11% (10.5%)	9%-11% (10.5%)	The higher the discount rate, the lower the fair value

(vi) Valuation processes

AASB13(93)(g) The group's finance department includes a team that performs the valuations of the group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the group's half-yearly reporting requirements.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Palm oil yield is determined based on the age of the plantation, historical yields, climate-induced variations such as severe weather events, plant losses and new areas coming into production.
- Crude palm oil prices and palm kernel oil prices are quoted prices for the relevant region.
- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

The cash outflows include notional cash flows (contributory asset charges) for the land and palm trees owned by the entity. They are based on market rental payable for orchards of similar size and maturity.

12 Financial risk management (extracts)

(a) Financial risk management strategies for biological assets

AASB141(49)(c)

The group is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks.

The group's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as droughts and floods and disease outbreaks. The group has strong environmental policies and procedures in place to comply with environmental and other laws.

The group is exposed to risks arising from fluctuations in the price and sales volume of sheep. Where possible, the group enters into supply contracts for sheep to ensure sales volumes can be met by meat processing companies. The group has long-term contracts in place for supply of palm oil to its major customers.

The seasonal nature of the sheep farming business requires a high level of cash flow in the second half of the year. The group actively manages the working capital requirements and has secured sufficient credit facilities to meet the cash flow requirements.

18 Commitments

AASB141(49)(b)

The group has entered into a contract to acquire 250 breeding sheep at 31 December 2017 for $1,250,000 (2016 – nil).

AASB101(117)

25 Summary of significant accounting policies (extracts)

AASB101(112)(a),(117)

(a) Basis of preparation

(ii) Historical cost convention

AASB101(117)(a)

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

- available-for-sale financial assets, 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 cost of disposal
- certain biological assets – measured at fair value less cost to sell, and
- defined benefit pension plans – plan assets measured at fair value.

Biological assets

Disclosures not illustrated: not applicable to VALUE Agriculture Limited

1. The following disclosure requirements of AASB 141 *Agriculture* are not illustrated above:

	Item	Nature of disclosure
AASB141(49)(a)	Biological assets with restricted title and/or pledged as security	Disclose existence and carrying amount.
AASB141(50)(e),(f)	Reconciliation of carrying amount of biological assets	Show separately increases due to business combinations and net exchange differences.
AASB141(53),AASB101(97)	Material items of income or expense as result of climatic, disease and other natural risks	Disclose amount and nature.
AASB141(54)-(56)	The fair value of biological assets cannot be measured reliably	Provide additional information.
AASB141(57)	Government grants received in relation to agricultural activity	Disclose the nature and extent of the grants, any unfulfilled conditions and other contingencies and if there are significant decreases expected in the level of government grants.

Construction contracts

AASB101(10)(b),(10A)

Consolidated statement of profit or loss (extract)

		2017 $'000	2016 $'000
AASB111(39)(a)	Contract revenue	**58,115**	39,212
AASB111(16)	Contract costs	**(54,729)**	(37,084)
AASB101(103)	Gross profit	**3,386**	2,128
AASB101(103)	Selling and marketing costs	**(386)**	(128)
AASB101(103)	Administrative expenses	**(500)**	(400)

AASB101(10)(a)

Consolidated balance sheet (extract)

	31 December 2017 $'000	31 December 2016 $'000
Current assets		
Trade and other receivables	**23,303**	20,374
Current liabilities		
Trade and other payables	**17,667**	13,733

7 Financial assets and financial liabilities (extracts)

(a) Trade and other receivables (extracts)

AASB101(77),(78)(b)
AASB7(6)

	2017			2016		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade receivables	**18,174**	**-**	**18,174**	16,944	-	16,944
Provision for impairment (see note 12(c))	**(109)**	**-**	**(109)**	(70)	-	(70)
	18,065	**-**	**18,065**	16,874	-	16,874
AASB111(42)(a) Amounts due from customers for contract work (i)	**1,216**	**-**	**1,216**	920	-	920
Loans to related parties	**2,668**	**-**	**2,668**	1,388	-	1,388
Other receivables	**54**	**-**	**54**	46	-	46
Prepayments	**1,300**	**-**	**1,300**	1,146	-	1,146
	23,303	**-**	**23,303**	20,374	-	20,374

AASB111(40)(c) Trade and other receivables include retentions of $232,000 (2016 – $132,000) related to construction contracts in progress.

(i) Construction contracts

AASB111(43),(44) On the balance sheet, the group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

(a) Trade and other receivables (extracts)

The net balance sheet position for ongoing construction contracts is as follows:

	2017 $'000	2016 $'000
Amounts due to from customers for contract work	**1,216**	920
Amounts due to customers for contract work (note 7(f))	**(997)**	(1,255)
	219	(335)

The net position relates to:

		2017 $'000	2016 $'000
AASB111(40)(a)	Aggregate costs incurred and recognised profits (less recognised losses) to date	**69,804**	56,028
	Less: progress billings	**(69,585)**	(56,363)
		219	(335)

AASB101(117) *Measurement of construction contract revenue and expense*

AASB111(39)(b),(c) The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

(f) Trade and other payables

		2017 $'000	2016 $'000
	Current liabilities		
AASB101(77)	Trade payables	**10,983**	9,495
	Amounts due to related parties	**2,202**	1,195
AASB111(42)(b)	Amounts due to customers for contract work (note 7(a))	**997**	1,255
	Payroll tax and other statutory liabilities	**2,002**	960
AASB101(77)	Other payables	**1,483**	828
		17,667	13,733

AASB111(40)(b) Trade and other payables include customer advances of $142,000 (2016 – $355,000) related to construction contracts in progress.

AASB101(117)

25 Summary of significant accounting policies (extracts)

AASB101(112)(a),(117)

(#) Construction contracts

AASB111(22) When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion.

AASB111(22),(36) Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

See note 7(a) for information on how the group determines the stage of completion.

AASB111(32) When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

AASB111(11) Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

Oil and gas exploration assets

8 Non-financial assets and liabilities

(a) Property, plant and equipment (extracts)

AASB116(73)
AASB6(24)(b),(25)

	Capitalised exploration and evaluation expenditure $'000	Capitalised development expenditure $'000	Subtotal – assets under construction $'000	Production assets $'000	Other businesses and corporate assets $'000	Total $'000
At 1 January 2017						
Cost	218	12,450	12,668	58,720	3,951	75,339
Accumulated amortisation and impairment	(33)	-	(33)	(5,100)	(77)	(5,210)
	185	12,450	12,635	53,620	3,874	70,129
Year ended 31 December 2017						
Opening net book amount	185	12,450	12,635	53,620	3,874	70,129
Exchange differences	17	346	363	1,182	325	1,870
Acquisitions	-	386	386	125	4	515
Additions	45	1,526	1,571	5,530	95	7,196
Transfers	(9)	(958)	(967)	1,712	-	745
Disposals	(12)	(1,687)	(1,699)	-	-	(1,699)
Depreciation charge	-	-	-	(725)	(42)	(767)
Impairment charge	(7)	(36)	(43)	(250)	(3)	(296)
Closing net book amount	219	12,027	12,246	61,194	4,253	(77,693)
At 31 December 2017						
Cost	264	12,027	12,291	67,019	4,330	83,640
Accumulated amortisation and impairment	(45)	-	(45)	(5,825)	(77)	(5,947)
	219	12,027	12,246	61,194	4,253	77,693

AASB101(117)

(i) Accounting for oil and gas assets

AASB6(24)(a)

Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

Development tangible and intangible assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, it is transferred to production or intangible assets.

Oil and gas production assets

Oil and gas production properties are aggregated exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

Depreciation/amortisation

No depreciation or amortisation is charged during the exploration and evaluation phase.

Oil and gas properties intangible assets are depreciated or amortised using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(a) Property, plant and equipment (extracts)

Impairment – exploration and evaluation assets

AASB6(18) Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

Impairment – proved oil and gas production properties and intangible assets

AASB136(9),(18),(59) Proven oil and gas properties and intangible assets are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(ii) Other exploration and evaluation assets and liabilities

AASB6(24)(b) In addition to the exploration and evaluation assets disclosed above, the group also has the following assets and liabilities relating to exploration:

	2017 $'000	2016 $'000
Receivables from joint venture partners (note 7(a))	**35**	22
Payable to subcontractors and operators (note 7(f))	**32**	34

(iii) Amounts recognised in profit or loss

AASB6(24)(b) Exploration and evaluation activities have led to total expenses of $5,900,000 (2016: $5,700,000), of which $5,200,000 (2016: $4,300,000) are impairment charges to write off costs of unsuccessful exploration activities.

In 2017, the disposal of a 16.67% interest in an offshore exploration stage 'Field X' resulted in post-tax profits on sale of $3,000,000 (2016: nil).

Cash payments of $41,500,000 (2016: $39,500,000) have been incurred related to exploration and evaluation activities. The cash proceeds due to the disposal of the interest in Field X were $8,000,000 (2016: nil).

(c) Intangible assets (extracts)

AASB138(118)
AASB6(24)(b),(25)

	Capitalised exploration and evaluation expenditure $'000	Capitalised development expenditure $'000	Subtotal – assets under construction $'000	Production assets $'000	Goodwill $'000	Other $'000	Total $'000
At 1 January 2017							
Cost	5,192	750	5,942	3,412	9,475	545	19,374
Accumulated amortisation and impairment	(924)	-	(924)	(852)	(75)	(19)	(1,870)
	4,268	750	5,018	2,560	9,400	526	17,504
Year ended 31 December 2017							
Opening net book amount	4,268	750	5,018	2,560	9,400	526	17,504
Exchange differences	152	8	160	195	423	28	806
Acquisitions	26	32	58	5	-	5	68
Additions	381	8	389	15	-	86	490
Transfers to production	(548)	(302)	(850)	105	-	-	(745)
Disposals	-	(28)	(28)	(15)	-	-	(43)
Amortisation charge	-	-	-	(98)	-	(42)	(140)
Impairment charge	(45)	-	(45)	-	(175)	(5)	(225)
Closing net book amount	4,234	468	4,702	2,767	9,648	598	17,715
At 31 December 2017							
Cost	5,203	468	5,671	3,717	9,898	659	19,945
Accumulated amortisation and impairment	(969)	-	(969)	(950)	(250)	(61)	(2,230)
	4,234	468	4,702	2,767	9,648	598	17,715

Oil and gas exploration assets

Comparatives required

Disclosure objectives

AASB101(38)

1. This appendix does not show any comparative information for the illustrative disclosures. However, readers should note that comparative amounts must be disclosed to comply with the requirements of AASB 101.

Appendix G: New standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2017 (ie years ending 31 December 2017) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2017.

(a) New standards and amendments – applicable 1 January 2017

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2017:

Title	Key requirements	Effective Date *
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* ^	The AASB has extended the scope of AASB 124 *Related Party Disclosures* to apply to not-for-profit (NFP) public sector entities and added implementation guidance for these entities to the standard. Amongst others, the additional guidance clarifies how: • the definition of key management personnel (KMP) should be applied in the NFP public sector context, • related party transactions should be disclosed by NFP public sector entities • to identify the types of transactions that are material to the entity, and • to apply the limited exemption for transactions with government-related entities. Reduced disclosures apply to tier 2 public sector entities in the same way as they apply to for-profit private sector entities.	1 July 2016
AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* ^	Following amendments made to AASB 13 *Fair Value Measurement*, not-for-profit public sector entities no longer need to provide the following disclosures for assets that are held primarily for their current service potential rather than to generate future cash inflows: • quantitative information about the significant unobservable inputs into level 3 fair value measurements • the amount of the total unrealised gains and losses for the period included in profit or loss, and the line items affected for recurring level 3 fair value measurements, and • for recurring level 3 fair value measurements, a narrative description of the measurement's sensitivity to changes in unobservable inputs, and interrelationships between those inputs.	1 July 2016
AASB 1056 *Superannuation Entities*	The new standard for superannuation entities will supersede AAS 25 *Financial Reporting by Superannuation Plans.* Superannuation entities will be required to present five financial statements: • statement of financial position • income statement • statement of changes in equity/reserves • statement of cash flows • statement of changes in member benefits. Member benefits for both defined contribution and defined benefit schemes will have to be recognised as a liability, measured as the amount of accrued benefits. Defined benefit liabilities will need to be measured at reach reporting date rather than every three years, resulting in an increased need for actuarial advice. Any surplus or deficit of funds will also need to be disclosed. Where an employer sponsor has agreed to meet a shortfall in defined benefits, the superannuation entity recognises a receivable as an asset, measured as the amount of the shortfall. The asset must be assessed for recoverability at each reporting date. Additional disclosures will apply for employer sponsor receivables. Liabilities relating to insurance arrangements provided to members and related reinsurance assets must be measured in a manner consistent with the measurement of defined benefit member liabilities. Reinsurance assets must be assessed for impairment. A number of additional disclosures must be provided, including information on estimates, financial risk management, policies for managing defined benefit liabilities and sub-fund reporting. Additional accounting reconciliations will also be required.	1 July 2016

(b) New standards and amendments – applicable 1 January 2017

Title	Key requirements	Effective Date *
AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*	Amendments made to AASB 112 in February 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that: • A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. • An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. • Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type. • Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.	1 January 2017
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.	1 January 2017
AASB 2016-4 *Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities*	The amendments made to AASB 136 Impairment of Assets remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities. They also clarify that the recoverable amount of specialised assets of not-for-profit entities that are held for the continuing use of their service capacity is expected to be materially the same as the fair value determined under AASB 13 Fair Value Measurement.	1 January 2017
AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual improvements 2014-2016 cycle [AASB 12]*	The amendments clarify that the disclosure requirements of AASB 12 apply to interests in entities that are classified as held for sale, except for the summarised financial information.	1 January 2017

* applicable to reporting periods commencing on or after the given date

^ applicable only to not-for-profit and/or public sector entities

(b) Forthcoming requirements

As at 30 September 2017, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending 31 December 2017. For more recent information please refer to our web site at www.pwc.com/ifrs.

Title	Key requirements	Effective Date *
AASB 9 Financial Instruments AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* AASB 2014-1 *Amendments to Australian Accounting Standard: Part E: Financial Instruments* AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)*	AASB 9 replaces the multiple classification and measurement models in AASB 139 *Financial instruments: Recognition and* measurement with a single model that has initially only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss. The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. In December 2015, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, AASB 9 is now complete. The changes introduce: • a third measurement category (FVOCI) for certain financial assets that are debt instruments • a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For financial years commencing before 1 February 2016, entities can elect to apply AASB 9 early for any of the following: • the own credit risk requirements for financial liabilities • classification and measurement (C&M) requirements for financial assets • C&M requirements for financial assets and financial liabilities, or • C&M requirements for financial assets and liabilities and hedge accounting. After 1 February 2016, the new rules must be adopted in their entirety.	1 January 2018

(b) Forthcoming requirements

Title	Key requirements	Effective Date *
AASB 15 *Revenue from Contracts with Customers* AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligation is satisfied. Key changes to current practice are: • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal. • The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. • There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures. These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.	1 January 2018
AASB 16 *Leases*	AASB 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	1 January 2019 Early adoption is permitted only if AASB 15 is adopted at the same time.

(b) Forthcoming requirements

<table>
<tr><th>Title</th><th>Key requirements</th><th>Effective Date *</th></tr>
<tr><td>AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions</td><td>The amendments made to AASB 2 in July 2016 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. They also introduce an exception to the classification principles in AASB 2. Where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature.
Entities with the following arrangements are likely to be affected by these changes:
• equity-settled awards that include net settlement features relating to tax obligations
• cash-settled share-based payments that include performance conditions, and
• cash-settled arrangements that are modified to equity-settled share-based payments.</td><td>1 January 2018</td></tr>
<tr><td>AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance contracts</td><td>In October 2016, the AASB published an amendment to AASB 4 which addresses the concerns of insurance companies about the different effective dates of AASB 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from AASB 9 for entities that meet specific requirements (applied at the reporting entity level), and the ‘overlay approach’. Both approaches are optional.
AASB 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the ‘overlay approach’ are expected to cease to be applicable when the new insurance standards becomes effective.</td><td>1 January 2018 or when the entity first applies AASB 9</td></tr>
<tr><td>AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and other Amendments [AASB 1, AASB 128 & AASB 140]</td><td>The following improvements were finalised in February 2017:
• AASB 1 - deleted short-term exemptions covering transition provisions of AASB 7, AASB 119 and AASB 10 which are no longer relevant.
• AASB 128 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.
The amendments to AASB 140 clarified that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.
The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle.
The Board provided two options for transition:
• prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or
• retrospectively - only permitted without the use of hindsight.
Additional disclosures are required if an entity adopts the requirements prospectively.</td><td>1 January 2018 (1 January 2019 for not-for-profit entities)</td></tr>
<tr><td>Interpretation 22 Foreign Currency Transactions and Advance Consideration</td><td>The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.
For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).
If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.
Entities can choose to apply the interpretation:
• retrospectively for each period presented
• prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or
• prospectively from the beginning of a prior reporting period presented as comparative information.</td><td>1 January 2018 (1 January 2019 for not-for-profit entities)</td></tr>
</table>

(b) Forthcoming requirements

Title	Key requirements	Effective Date *
AASB 1058 *Income of Not-for-Profit Entities,* AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*	AASB 1058 introduces major changes to the income recognition by public and private sector not-for-profit (NFP) entities. Rather than accounting for all contribution transactions under AASB 1004 Contributions, NFPs will now need to determine whether a transaction is a genuine donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15 Revenue from Contracts with Customers). Implementation guidance has been added to AASB 15 to assist with this determination. A contract is within the scope of AASB 15 if • the entity has an enforceable contract with a customer, and • the contract includes sufficiently specific promises for the NFP entity to transfer goods or services to the customer or third party beneficiaries. Under AASB 15 income will only be recognised as the obligations under the contract are satisfied, potentially resulting in a deferral of income as compared to the current accounting under AASB 1004. AASB 1058 also introduces new requirements for income recognition in several other types of transactions which don't fall within the scope of AASB, including: • below-market leases • obligations to acquire or construct a specific asset for an entity's own use, and • other transactions such as volunteer services, donated inventories, endowments and bequests. If NFPs account for income under AASB 15, the relevant disclosures will also apply. In addition, AASB 1058 includes incremental disclosures for NFPs such as the disaggregation of income. The mandatory application date of AASB 15 has been deferred to 1 January 2019 for NFP entities. If they want to adopt the new revenue recognition rules before that date, they will need to apply AASB 1058 at the same time.	1 January 2019
Interpretation 23 *Uncertainty over Income Tax Treatments*	The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses: • how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty • that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored • that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment • that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty, and • that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.	1 January 2019

(b) Forthcoming requirements

Title	Key requirements	Effective Date *
AASB 17 *Insurance Contracts*	AASB 17 was issued in July 2017 as replacement for AASB 4 *Insurance Contracts*. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	1 January 2021
AASB 1059 *Service Concession Arrangements: Grantors ^*	The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services. The standard requires the grantor to: • recognise a service concession asset when the grantor controls the asset • reclassify an existing asset as a service concession asset when it meets the criteria for recognition as such an asset • initially measure a service concession asset at current replacement cost and account for it subsequently in accordance with AASB 116 Property Plant and Equipment or AASB 138 Intangible Assets, as appropriate. • recognise a corresponding liability initially at the fair value of the service concession asset, adjusted for any other consideration between the grantor and the operator, and account for the liability using either or both of the financial liability model or grant of a right to the operator model, and • disclose sufficient information to enable users of the financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.	1 January 2019
AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*	The amendments made in July 2017 confirm that entities that are complying with AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts will also comply with AASB 4 Insurance Contracts at the same time. They further ensure that the relief available to issuers of insurance contracts provided by AASB 2016-6 (see above) can also be applied by entities reporting under AASB 1023 and/or AASB 1038 provided the entity satisfies the other qualifying criteria	1 January 2018 (early application not permitted)

(b) Forthcoming requirements

Title	Key requirements	Effective Date *
AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*	The AASB has made limited scope amendments to AASB 10 *Consolidated financial statements* and AASB 128 *Investments in associates and joint ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in AASB 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. ** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method. However, the AASB cannot legally issue amendments without an operative date. It has therefore initially deferred the application date to 1 January 2018 and subsequently extended this to 1 January 2022.	1 January 2022 **

* applicable to reporting periods commencing on or after the given date; unless otherwise stated, early adoption is permitted.

^ applicable only to not-for-profit and/or public sector entities

\# At the time of writing, the AASB had not yet issued corresponding amendments, but was expected to do so shortly. Early adoption will be permitted once the amendments have been approved by the AASB.

Appendix H: AASB 9 *Financial instruments*

AASB 9 *Financial Instruments* amends the previous requirements in three main areas: (a) classification and measurement of financial assets, (b) impairment of financial assets, mainly by introducing a forward looking expected loss impairment model and (c) hedge accounting including removing some of the restrictions on applying hedge accounting in AASB 139.

The mandatory date of application is annual reporting periods beginning on or after 1 January 2018. The standard can be applied early.

This appendix illustrates the types of disclosures that would be required if our fictional group consisting of VALUE ACCOUNTS Holdings Limited and its controlled entities ('the group') had decided to adopt AASB 9 for its reporting period ending 31 December 2017. Only those disclosures which are **incrementally** required as a result of adopting AASB 9 are illustrated in this publication. Disclosure requirements which exist independently of the adoption of AASB 9 including fair value disclosures required by AASB 13 *Fair Value Measurement*; disclosures about transferred receivables; financial risk management and offsetting disclosures as per AASB 7 are not illustrated as these can be found in the main body of this publication.

Disclosures not illustrated

Depending on individual facts and circumstances, other disclosures may be relevant that are not applicable to VALUE ACCOUNTS Holdings Limited. These are listed in the commentary section at the end of this Appendix and some are also illustrated there. References to the relevant commentary are included as **superscript numbers** at the beginning of each section. The disclosures in this publication must be read in the context of the assumptions set out below. Different facts and circumstances could result in different classifications, measurements and disclosures.

Assumptions made [1-4]

In compiling these illustrative disclosures, we have made the following assumptions:

- VALUE ACCOUNTS Holdings Limited has chosen 1 January 2017 as the date of initial application for the adoption of the new standard.
- The group has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence:
  - any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings;
  - financial assets are not reclassified in the balance sheet for the comparative period;
  - provisions for impairment have not been restated in the comparative period;
  - the transition is a change in accounting policy, and disclosures required by AASB 108 are illustrated;
  - a third balance sheet as at 1 January 2016 is not presented The retrospective application of the accounting for the forward element of forward contracts does not impact the balance sheet for the year ended 31 December 2015, other than on retained earnings and reserves which are disclosed in the statement of changes in equity. For the inventory that is subject to hedge accounting, the group has decided not to restate inventory to the extent that the hedge relationship came to an end before the date of initial application if the inventory is still held at that time;
  - disclosure requirements arising from the consequential amendments made to AASB 7 by AASB 9 have not been presented in relation to the comparative period. To the extent relevant, the comparative period disclosures would be those presented in VALUE ACCOUNTS Holdings Limited for the previous period (ie in the financial statements for the year ended 31 December 2016); and [4]
  - new accounting policies have been disclosed, and references to the old policies included, which are applied to the amounts presented in the comparative period.
- Investments in financial assets are classified as either debt or equity investments by reference to the requirements for the issuer in AASB 132 *Financial Instruments: Presentation.*
- The group has adopted the simplified expected credit loss model for its trade receivables, as permitted by AASB 9, paragraph 5.5.15, and the general expected credit loss model for debt investments carried at amortised cost and debt investments carried at fair value through other comprehensive income. All of the group's debt investments have low credit risk at both the beginning and end of the reporting period.

- The group has hedged the foreign exchange risk on forecast purchases of inventory using forward contracts. Under AASB 139 *Financial Instruments: Recognition and Measurement* the group applied hedge accounting in prior periods and designated as the hedging instrument only the change in the spot rate. As permitted by AASB 9, paragraph 7.2.26, the group has elected to restate prior periods for the change in fair value relating to forward points by:
  - reclassifying the change in fair value relating to forward points from the statement of profit or loss to the statement of other comprehensive income; and
  - ultimately including the forward points in the initial cost of inventory when it is recognised.
- As required by AASB 9 paragraph 7.2.26, the restatement has been applied to those forward contracts which are outstanding at the prior period end. The comparative periods presented for the statement of profit and loss, statement of other comprehensive income and statement of changes in equity for the year ended 31 December 2016 have been restated for the impact of this change in policy. The retrospective impact on the year ended 31 December 2015 has been reflected as a reclassification from retained earnings to reserves.
- The retrospective restatement applied only to the fair value of the forward points. The deferred hedging gains and losses were reclassified from the cash flow hedge reserve to inventory through other comprehensive income in the year ending 31 December 2016.
- From 1 January 2017 (the date of initial application of AASB 9) onwards the group designated all of its foreign currency option contracts as hedges of the foreign exchange risk on forecast purchases of inventory. It designates only the intrinsic value of the options as hedging instruments. Prior to 1 January 2017 options were classified as held-for-trading and measured at fair value through profit or loss. On designation all options were out-of-the-money and hence the intrinsic value (i.e. the part of the option used as hedging instrument) was zero. The critical terms of the option contracts matched the hedged item and there was no hedge ineffectiveness. [3]
- VALUE ACCOUNTS Holdings Limited does not have any non-derivative liabilities that are measured at fair value. Adoption of AASB 9 did not affect the measurement or classification of the group's existing borrowings. Relevant disclosures are illustrated in the main body of this publication.

Illustrative disclosures relevant for financial liabilities measured at fair value through profit or loss and for entities that have applied the general expected credit loss model to financial assets that are not considered to be low risk are provided at the end of the commentary in this appendix.

Index

The following notes to the financial statements are affected by the adoption of AASB 9 for VALUE ACCOUNTS Holdings Limited and are included within this document:

- 7 Financial assets and liabilities
- 9 Equity
- 12 Financial risk management
- 25 Summary of significant accounting policies
- 26 Change in accounting policies

AASB101(10)(b),(10A)

Statement of profit or loss (extract)

AASB101(51)(c),(e)
AASB101(113)

	Notes	2017 $'000	Restated* 2016 $'000
Continuing operations			
Gross profit		**95,208**	77,602
Other expenses, not related to financial instruments (disclosed in the main body of the publication)		**(53,603)**	(44,059)
Other income	5(a) *	**11,348**	12,033
Other (losses)/gains – net	5(b) *	**4,586**	(85)
Operating profit		**57,539**	45,491
Finance costs – net	5(d) **	**(5,597)**	(5,367)
Net profit of associates and joint ventures accounted for using the equity method		**340**	355
Profit before income tax		**52,282**	40,479
Income tax expense (AASB101(82)(d), AASB112(77))	6 *	**(16,477)**	(11,836)
Profit from continuing operations		**35,805**	28,643
Profit from discontinued operations		**727**	399
Profit for the period (AASB101(81A)(a))		**36,532**	29,042
Profit is attributable to: (AASB101(81B)(a))			
Owners of VALUE ACCOUNTS Holdings Limited		**33,527**	26,723
Non-controlling interests		**3,005**	2,319
		36,532	29,042

* See the main body of this publication for this note disclosure, but note that the amounts are different as a result of interest accrued on financial assets that were previously accounted for as available-for-sale financial assets (other income) and the foreign currency option contracts that are now designated as cash flow hedges under AASB 9 (other gains/(losses)).

** See the main body of this publication for this note disclosure.

AASB101(10)(b),(10A)

Statement of comprehensive income (extract)

		Notes	2017 $'000	Restated* 2016 $'000
AASB101(81A)(a)	**Profit for the period**		**36,532**	29,042
	Other comprehensive income			
AASB101(82A)(a)(ii)	*Items that may be reclassified to profit or loss*			
AASB7(20)(a)(viii)	Changes in the fair value of debt instruments at FVOCI	7(a)	**126**	-
	Changes in the fair value of AfS financial assets	7(c)	**-**	(1,378)
	Loss reclassified to profit or loss from OCI on sale of equity security classified as AfS	7(c)**	**-**	548
	Deferred gains and losses on cash flow hedges	9(c)	**176**	70
	Deferred costs of hedging	9(c)	**(88)**	(77)
	Deferred hedging losses reclassified to profit or loss	9(c)	**(155)**	(195)
	Net investment hedge	9(c)**	**190**	-
	Other items, not relating to financial instruments (for completeness only; see main body of this publication)		**(427)**	258
	Income tax relating to these items		**(21)**	305
AASB101(82A)(a)(i)	*Items that will not be reclassified to profit or loss*			
AASB7(20)(a)(vii)	Changes in the fair value of equity investments at FVOCI	7(a)	**632**	-
	Deferred hedging gains and losses transferred to inventory purchased during the year	9(c)	**-**	642
	Other items, not relating to financial instruments (for completeness only; see main body of this publication)		**7,662**	5,030
	Income tax relating to these items		**(2,488)**	(1,702)
AASB101(81A)(b)	**Other comprehensive income for the period, net of tax**		**5,607**	3,501
AASB101(81A)(c)	**Total comprehensive income for the period**		**42,139**	32,543

* in accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26)(b) comparative figures have only been restated with respect to certain aspects of hedge accounting; see note 26 for details about changes in accounting policies.

** see the main body of this publication for this note disclosure (but note that amounts are different)

AASB101(10)(a),(54)

Balance sheet (extract)

AASB101(51)(c),(e)
AASB101(113)

	Notes	2017 $'000	Restated* 2016 $'000
ASSETS			
Non-current assets			
Financial assets at fair value through other comprehensive income	7(a)	**6,782**	-
Held-to-maturity investments	7(b)**	**-**	1,175
Available-for-sale financial assets	7(c)**	**-**	8,228
Loans to customers	7(d)	**3,515**	1,380
Other financial assets at amortised cost	7(e)	**2,390**	-
Financial assets at fair value through profit or loss	7(f)	**308**	712
Other non-current assets		**7,364**	4,979
Total non-current assets		**173,035**	139,350
Current assets			
Trade and other receivables	7(d)	**17,222**	10,867
Other financial assets at amortised cost	7(e)	**1,100**	842
Derivative financial instruments	12(a)	**1,854**	1,417
Other financial assets at fair value through profit or loss	7(f)	**11,300**	10,915
Cash and cash equivalents (excluding bank overdrafts)	7(g)	**57,098**	31,268
Other current assets		**22,903**	25,102
Total current assets		**111,477**	80,411
LIABILITIES			
Derivative financial instruments (current)	12(a)	**1,376**	1,398
Deferred tax liabilities (non-current)		**12,346**	6,660
Trade and other payables (current)	7(f)**	**16,700**	12,477
Borrowings (current and non-current)	7(g)**	**100,444**	88,080
Other liabilities		**14,418**	10,378
Total liabilities		**145,284**	118,993
EQUITY			
Other equity (for completeness only)	9(a),9(b)**	**84,828**	63,426
Reserves relating to financial instruments ^	9(c)	**651**	613
Other reserves ^	9(c)**	**16,407**	10,900
Retained earnings	9(d)	**48,239**	36,614
Non-controlling interests	16(b)**	**9,462**	5,689
Total equity		**159,587**	117,242

AASB101(60),(66) — Non-current assets; AASB7(8)

AASB101(60),(66) — Current assets

* in accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26)(b) comparative figures have only been restated with respect to certain aspects of hedge accounting; see note 26 for details about changes in accounting policies.

** see the main body of this publication for this note disclosure.

^ Reserves split up for purpose of illustration in this Appendix only.

AASB101(10)(c),(106)

Consolidated statement of changes in equity (extract)

		Notes	Attributable to owners of VALUE ACCOUNTS Holdings Limited						
			Share capital and premium $'000	Other equity $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-con-trolling interests $'000	Total equity $'000
AASB1011(106)(d)	**Balance at 31 December 2015**		62,619	(251)	7,311	21,298	90,977	4,940	95,917
AASB101(106)(b)	Adjustment on adoption of AASB 9 (net of tax)	26(b)	-	-	(25)	25	-	-	-
AASB101 (106)(d)	**Balance at 1 January 2016**		**62,619**	**(251)**	**7,286**	**21,323**	**90,977**	**4,940**	**95,917**
AASB101 (106)(d)(i)	Profit for the period		-	-	-	26,723	26,723	2,319	29,042
AASB101 (106)(d)(ii)	Other comprehensive income		-	-	3,647	(403)	3,244	257	3,501
	Total comprehensive income for the period		**-**	**-**	**3,647**	**26,320**	**29,967**	**2,576**	**32,543**
	Costs of hedging transferred to the carrying value of inventory purchased during the year	9(c)	-	-	25	-	25	-	25
AASB101 (106)(d)(iii)	**Transactions with owners in their capacity as owners: ***		1,357	(299)	555	(11,029)	(9,416)	(1,827)	(11,243)
AASB101 (106)(d)	**Balance at 31 December 2016**		**63,976**	**(550)**	**11,513**	**36,614**	**111,553**	**5,689**	**117,242**
AASB101 (106)(b)	Adjustment on adoption of AASB 9 (net of tax)	26(b)	-	-	(70)	33	(37)	-	(37)
AASB101 (106)(d)	**Balance at 1 January 2017**		**63,976**	**(550)**	**11,443**	**36,647**	**111,516**	**5,689**	**117,205**
AASB101 (106)(d)(i)	Profit for the period		-	-	-	33,527	33,527	3,005	36,532
AASB101 (106)(d)(ii)	Other comprehensive income		-	-	5,399	307	5,706	(99)	5,607
AASB101 (106)(a)	**Total comprehensive income for the period**		**-**	**-**	**5,399**	**33,834**	**39,233**	**2,906**	**42,139**
	Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year	9(c)	-	-	74	-	74	-	74
	Transfer of gain on disposal of equity investments at FVOCI to retained earnings	9(c)	-	-	(452)	452	-	-	-
AASB101 (106)(d)(iii)	**Transactions with owners in their capacity as owners: ***		19,078	2,324	594	(22,694)	(698)	867	169
AASB101 (106)(d)	**Balance at 31 December 2017**		**83,054**	**1,774**	**17,058**	**48,239**	**150,125**	**9,462**	**159,587**

* This line has been aggregated for the purpose of this appendix. Please refer to the statement of changes in equity in the main body of this publication for an illustration of the required disclosures.

7 Financial assets and financial liabilities (extracts) [6-10]

Not mandatory

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 [see note 7(h) in the main body of this publication].

Not mandatory

The group holds the following financial instruments:

AASB7(8)

Financial assets	Notes	2017 $'000	2016 $'000
Financial assets at amortised cost			
Trade receivables	7(d)	**17,222**	10,867
Other financial assets at amortised cost	7(e)	**4,615**	-
Other loans and receivables	7(e)	**-**	2,222
Held-to-maturity investments	7(b)*	**-**	1,175
Cash and cash equivalents	7(g)	**57,098**	31,268
Financial assets at FVOCI	7(a)	**6,782**	-
Available-for-sale financial assets	7(c)*	**-**	8,228
Financial assets at fair value through profit or loss	7(f)	**13,690**	10,915
Derivative financial instruments	12(a)		
Used for hedging		**2,162**	809
Held for trading at FVPL		**-**	1,320
		101,569	66,804

Financial liabilities	Notes	2017 $'000	2016 $'000
Liabilities at amortised cost			
Trade and other payables **	7(f)*	**15,130**	11,270
Borrowings	7(g)*	**100,444**	88,080
Derivative financial instruments	12(a)		
Used for hedging		**766**	777
Held for trading at FVPL		**610**	621
		116,950	100,748

* see the main body of this publication for this note disclosure

The group's financial instruments resulted in the following income, expenses and gains and losses recognised in the statement of profit or loss:

	Financial assets	Notes	2017 $'000	2016 $'000
AASB7(11A)(d)	Dividends from equity investments held at FVOCI	7(a)	**1,605**	-
	Related to investments derecognised during the period		963	-
	Related to investments held at the end of the reporting period		642	-
AASB139(55)(b)	Dividends from equity investments held at AfS	7(c)	**-**	1,384
AASB7(20)(b)	Interest from debt investments held at FVOCI	7(a)	**141**	-
AASB139(55)(b)	Interest from debt investments held at AfS	7(a)	**-**	194
AASB7(20)(b)	Interest from assets held at amortised cost		**1,733**	960
AASB7(20)(a)(viii)	Loss reclassified from OCI to profit or loss on sale of equity investments classified as available for sale	7(c)*	**-**	(548)
AASB7(20)(a)(i)	Fair value gains on equity investments at FVPL	7(f)	**835**	(690)
AASB7(20)(a)(i)	Fair value gains on debt instruments at FVPL	7(f)	**120**	-
AASB7(20)(a)(vi)	Net impairment expense recognised on trade receivables	12(b)	**(818)**	(615)
AASB7(20)(a)(vi)	Impairment expense recognised on debt investments at amortised cost	12(b)	**(23)**	(3)
	Hedging gains/losses	12(b)		
	Hedge ineffectiveness		**4**	2
	Net gains on derivatives held for trading	5(b)*	**11**	543
AASB121(52)(a)	Total net foreign exchange (losses) recognised in profit before income tax for the period, included in other income and finance costs	5(b),5(d)*	(604)	(1,069)

* see the main body of this publication for this note disclosure.

(a) Financial assets at fair value through other comprehensive income

AASB101(117)

(i) Classification of financial assets at fair value through other comprehensive income [5]

Financial assets at fair value through other comprehensive income comprise:

AASB7(11A)(b),(21)
AASB9(4.1.4),(5.7.5)

- equity securities which are not held for trading, and for which the group has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss as these are strategic investments and the group considered this to be more relevant, and

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.

(ii) Equity investments at fair value through other comprehensive income

AASB7(11A)(a),(c)

Equity investments at fair value through other comprehensive income (FVOCI) comprise the following individual investments:

	2017 $'000	2016* $'000
Non-current assets		
Listed securities		
Furniture Suppliers plc	**870**	-
Furniture Purchasers Inc	**1,305**	-
Sleep Willow plc	**653**	-
Pine Oak Property Fund **	**1,522**	-
	4,350	-
Unlisted securities		
Softwood Ltd	**690**	-
Mahogany Ltd	**460**	-
	1,150	-
	5,500	-

* These investments were classified as available-for-sale in 2016, see note 7(c). All of these investments were also held in the previous period, but the group increased its investment in the Pine Oak Property Fund during the current year at a cost of $259,000. [4]

** The units held in the Pine Oak Property Fund are classified as equity instruments by the Fund.

(a) Financial assets at fair value through other comprehensive income

AASB7(21)
AASB9(B5.7.1)

Upon disposal of these equity investments, any balance within the OCI reserve for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

AASB139(9)

In the prior financial year, the group had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term.

See note 26 for explanations regarding the change of accounting policy and the reclassification of certain equity investments from available-for-sale to financial assets at fair value through profit or loss and note 25(o) for the remaining accounting policies applicable for financial assets.

(iii) Disposal of equity investments

AASB7(11B),(11A)(e)

Since 1 January 2017, the group has sold its shares held in Hardwood Ltd as a result of a takeover offer for cash. The shares sold had a fair value of $2,275,000 and the group realised a gain of $646,000 which is already included in other comprehensive income. This gain has been transferred to retained earnings.

In the previous financial period, the group sold its investment in Super Floors Ltd, as this investment no longer suited the group's investment strategy. The shares sold had a fair value of $2,143,000 at the time of the sale and the group realised a loss of $548,000 which was included in other comprehensive income up to the date of sale.

AASB9(7.2.1)

Since the disposal occurred prior to the date of the initial adoption of AASB 9 and the entity has elected not to apply AASB 9 retrospectively, the loss and associated tax impact was reclassified from reserves and included in profit or loss for that period in accordance with the group's accounting policy for the prior period(see note 9).

(iv) Debt investments at fair value through other comprehensive income [5,8]

AASB101(77)

Debt investments at fair value through other comprehensive income (FVOCI) comprise the following investments in listed and unlisted bonds having solely payments of principal and interest:

	2017 $'000	2016* $'000
Non-current assets		
Fair value		
Listed bonds	**685**	-
Unlisted debt securities	**597**	-
Total	**1,282**	-

*These investments were classified as available-for-sale in 2016, see note 7(c).

AASB9(5.7.10)

Upon disposal of these debt investments, any balance within the OCI reserve for these debt investments is reclassified to profit or loss.

Please see note 26(a)(ii) for reclassifications of debt investments from available-for-sale (FVOCI) to amortised cost during the comparative period.

(b) Held-to-maturity financial assets

Please refer to note 7(b) in the main body of this publication for disclosures that apply to held-to-maturity financial assets for 2016. These disclosures continue to be applicable and will not be affected by the adoption of AASB 9. See also note 26(a).

(c) Available-for-sale financial assets

Please refer to note 7(c) in the main body of this publication for disclosures that apply to available-for-sale financial assets for 2016. These disclosures continue to be applicable and will not be affected by the adoption of AASB 9. See also note 26(a).

(d) Trade receivables

	2017 $'000	2016* $'000
Trade receivables	**17,855**	11,167
Provision for impairment (see note 12(c))	**(633)**	(300)
	17,222	10,867

Please refer to note 7(a) in the main body of this publication for disclosures that apply to trade receivables. These disclosures continue to be applicable and will not be affected by the adoption of AASB 9. For credit risk disclosures specific to AASB 9, please see note 12(b).

(e) Other financial assets at amortised cost

AASB101(117)

(i) Classification of financial assets at amortised cost 9

AASB9(4.1.2)

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 with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

AASB101(77)

Financial assets at amortised cost include the following debt investments:

AASB101(77),(78)(b)
AASB7(6)

	2017			2016		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Loans to related parties	**-**	**1,300**	**1,300**	-	700	700
Loans to key management personnel	**166**	**551**	**717**	126	480	606
Debenture assets	**-**	**750**	**750**	-	-	-
Zero coupon bonds	**-**	**460**	**460**	-	-	-
Listed corporate bonds	**-**	**104**	**104**	-	-	-
Other receivables *	**939**	**375**	**1,314**	716	200	916
	1,105	**3,540**	**4,645**	842	1,380	2,222
Less: impairment provision for debt investments at amortised cost	**(5)**	**(25)**	**(30)**	-	-	-
	1,100	**3,515**	**4,615**	842	1,380	2,222

See note 26 for the impact of the change in accounting policy following the adoption of AASB 9 on the classification of financial assets and note 25(o) for the remaining accounting policies applicable for financial assets.

AASB7(7),(38)

*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.

(ii) Impairment and risk exposure

Information about the impairment of financial assets, their credit quality and the group's exposure to credit risk can be found in note 12(b).

(f) Financial assets at fair value through profit or loss [6,7]

AASB101(117)

(i) Classification of financial assets at fair value through profit or loss

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

AASB9(4.1.2)
AASB9(4.1.2A)

- debt investments that do not qualify for measurement at either amortised cost (see note 7(e) above) or at fair value through other comprehensive income (note 7(a))
- equity investments that are held for trading, and

AASB9(5.7.5)

- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

AASB101(77)
AASB7(6)

Financial assets mandatorily measured at fair value through profit or loss include the following classes of financial assets:

	2017 $'000	2016* $'000
Non-current assets		
Unlisted preference shares [5]	**1,100**	-
Contingent consideration	**1,290**	-
	2,390	-
Current assets		
US listed equity securities	**5,190**	4,035
Oneland listed equity securities	**6,110**	6,880
	11,300	10,915
	13,690	10,915

* These investments were presented as financial assets at FVPL in the 2016 balance sheet.

See note 26 for explanations regarding the change of accounting policy and the reclassification of certain investments from available-for-sale to financial assets at fair value through profit or loss, and note 25(o) for the remaining accounting policies applicable for financial assets.

AASB7(20)(a)(i)

(ii) Amounts recognised in profit or loss

	2017 $'000	2016 $'000
Fair value gains (losses) on equity investments at fair value through profit or loss recognised in other gains/(losses)	**835**	(690)
Fair value gains (losses) on debt instruments at fair value through profit or loss recognised in other gains/(losses)	**120**	-
Fair value gain on contingent consideration recognised in profit from discontinued operations	**90**	-

(g) Cash and cash equivalents

Please refer to note 7(e) in the main body of this publication for disclosures that apply to cash and cash equivalents. These disclosures will not be affected by the adoption of AASB 9.

9 Equity (extract)

AASB101(106)(d)

(c) Other reserves (extract)

AASB101(106A)

The following table shows a breakdown of the balance sheet line item ‘other reserves’ and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table. For the purpose of this appendix, the disclosures only focus on reserves relating to financial instruments. Disclosures relevant to other types of reserves are illustrated in the main body of this publication (note 9(c)).

		Notes	AfS financial assets $’000	Financial assets at FVOCI* $’000	Cash flow hedge reserve $’000	Deferral of costs of hedging $’000	Total other reserves relating to financial instruments $’000
	At 1 January 2016 (restated*)		**1,173**	**-**	**(287)**	**(25)**	**861**
	Costs of hedging transferred to the carrying value of inventory purchased in the year	12(a)	-	-	-	36	36
AASB112(81)(ab), AASB101(90)	Deferred tax on transfer		-	-	-	(11)	(11)
			-	**-**	**-**	**25**	**25**
AASB7(20)(a)(ii),(24C)(B)(i)	Revaluation – gross	7(c) 12(a)	(1,378)	-	70	(77)	(1,385)
AASB112(81)(ab), AASB101(90)	Deferred tax on revaluation		413	-	(21)	23	415
	Deferred hedging gains and losses transferred to the carrying value of inventory purchased during the year	12(b)	-	-	642	-	642
AASB1012(81)(ab) AASB101(90)	Deferred tax on transfer		-	-	(193)	-	(193)
AASB101(92),(95) AASB7(24C)(b)(iv)	Reclassification to profit or loss – gross	7(a)(iii) 12(b)	548	-	(195)	-	353
AASB112(81)(ab), AASB101(90)	Deferred tax on reclassification		(164)	-	59	-	(105)
	Other comprehensive income for the period		**(581)**	**-**	**362**	**(54)**	**(273)**
	At 31 December 2016		**592**	**-**	**75**	**(54)**	**613**
AASB9(7.2.15)	Reclassification on adoption of AASB 9	26	**(592)**	**522**	**-**	**-**	**(70)**
	Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased in the year	12(a)	-	-	29	77	106
AASB112(81)(ab), AASB101(90)	Deferred tax on transfer	12(a)	-	-	(9)	(23)	(32)
			-	**-**	**20**	**54**	**74**
AASB7(11A)(e)	Transfer of gain on disposal of equity investments at FVOCI to retained earnings	7(a) (iii)	-	(646)	-	-	(646)
AASB112(81)(ab), AASB101(90)	Deferred tax on transfer		-	194	-	-	194
			-	**(452)**	**-**	**-**	**(452)**
AASB7(20)(a)(ii),(24C)(b)(i)	Revaluation – gross	7(a); 12(a)	-	750	176	(88)	838
AASB112(81)(ab), AASB101(90)	Deferred tax on revaluation	12(b)	-	(225)	(53)	26	(252)
AASB9(5.5.2)	Impairment of debt instruments at FVOCI	12(c)	-	8	-	-	8
	Deferred hedging losses transferred to profit or loss	12(b)	-	-	(155)	-	(155)
AASB112(81)(ab), AASB101(90)	Deferred tax on transfer		-	-	47	-	47
	Other comprehensive income for the period		**-**	**533**	**15**	**(62)**	**486**
	At 31 December 2017		**-**	**603**	**110**	**(62)**	**651**

* The opening balance of the deferral of costs of hedging reserve as at 1 January 2016 is after the restatement for the changes in accounting policy disclosed in note 26.

(c) Other reserves

AASB101(79)(b)

(ii) Nature and purpose of other reserves

Financial assets and liabilities at fair value through other comprehensive income reserve

AASB9(5.7.5)
AASB7(11A)(e)

The group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in note 7(a). These changes are accumulated within the Financial assets and liabilities at FVOCI reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

AASB9(5.7.10)

The group has certain investments classified as debt investments at FVOCI, as explained in note 7(a) (iv). For these investments, changes in fair value are accumulated within the Financial assets and liabilities at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed of.

Cash flow hedge reserve

AASB9(6.5.11)(d)(i)

The group uses two types of hedging instruments as part of its management of foreign currency risk associated with its highly probable inventory purchases, as described within note 12 (a). These include foreign currency forward contracts and foreign currency option contracts, both of which are designated in cash flow hedge relationships. The group manages its cash flow interest rate risk with floating-to-fixed interest rate swaps which are also designated in cash flow hedge relationships.

To the extent these hedges are effective; the change in fair value of the hedging instrument is recognised in the cash flow hedge reserve. The cash flow hedge reserve is transferred to the initial cost of the related inventory when it is recognised, and the gain or loss relating to the effective portion of the interest rate swaps is reclassified to profit or loss and recognising within 'finance cost'.

Costs of hedging reserve

AASB9(6.5.15)(b)

The group designates the spot component of foreign currency forward contracts and the intrinsic value of foreign currency option contracts as hedging instruments in cash flow hedge relationships. The group defers changes in the forward element of foreign currency forward contracts and the time value element of foreign currency option contracts in the costs of hedging reserve. The deferred costs of hedging are included in the initial cost of the related inventory when it is recognised.

(d) Retained earnings

AASB101(106)(d)

Movements in retained earnings were as follows:

		Notes	2017 $'000	2016 $'000
	Balance 1 January *		**36,647**	21,323
	Net profit for the period		**33,527**	26,723
AASB101(106)(d)(ii)	Items of other comprehensive income recognised directly in retained earnings			
	Remeasurements of post-employment benefit obligation, net of tax	8(g)**	**83**	(637)
	Reclassification of gain on disposal of equity instruments at FVOCI, net of tax	7(a)(iii)	**452**	-
	Dividends	13(b)**	**(22,837)**	(11,029)
	Transfer from share capital on buy-back of preference shares	9(a)**	**143**	-
	Depreciation transfer, net of tax	9(c)**	**224**	234
	Balance 31 December		**48,239**	36,614

* The opening balance as at 1 January 2017 and as 1 January 2016 is after the restatement for the changes in accounting policy disclosed in note 26.

** see the main body of this publication for this note disclosure

12 Financial risk management (extract)

The disclosures presented below are those **incremental** disclosures arising from consequential amendments to AASB 7 as a result of adoption of AASB 9, or disclosures that are necessary to provide context to these incremental disclosures. The financial risk management disclosures required by AASB 7 (pre-amendment for AASB 9) continue to be required, with the exception of AASB 7 paragraphs 22, 23, 24 and 37 which are deleted by AASB 9. Please refer to the main body of this publication for these disclosures.

AASB7(21A)(b),(21C)

The group's activities expose it to foreign currency risk, interest rate risk, price risk and credit risk. In order to minimise any adverse effects on the financial performance of the group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain foreign currency risk exposures, and interest rate swaps are used to fix variable future cash flows. These instruments reduce the uncertainty of interest payments and foreign currency transactions. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

AASB7(21A)(a)

Risk management is predominately controlled by a central treasury department of VALUE ACCOUNTS Holdings Limited under policies approved by the board of directors. The central treasury department identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

AASB7(21A)(c)

Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through OCI and will be recognised in profit or loss when the hedged item affects profit or loss. This will effectively result in recognising interest expense at a fixed interest rate for the hedged loans and inventory at the fixed foreign currency rate for the hedged purchases.

(a) Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes below. The group has the following derivative financial instruments:

Reference		2017 $'000	2016 $'000
AASB101(77) AASB7(24A)(a)			
	Current assets		
	Foreign currency option contracts – held for trading ((b)(i))	**-**	1,320
	Foreign currency option contracts cash flow hedges ((b)(i))	**1,709**	-
	Interest rate swap contracts – cash flow hedges ((b)(ii))	**145**	97
AASB7(24A)(b)	Total current derivative financial instrument assets	**1,854**	1,417
	Non-current assets		
	Interest rate swap contracts – cash flow hedges ((b)(ii))	**308**	712
AASB7(24A)(b)	Total non-current derivative financial instrument assets	**308**	712
	Current liabilities		
	Forward foreign exchange contracts – held for trading ((b)(i))	**610**	621
	Forward foreign exchange contracts – cash flow hedges ((b)(i))	**766**	777
AASB7(24A)(b)	Total current derivative financial instrument liabilities	**1,376**	1,398

AASB101(117)

(i) Classification of derivatives

AASB101(66),(69)

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

AASB9(6.5.11)(d)(i)

The group's accounting policy for its cash flow hedges is set out in note 25(p). For hedged forecast transactions that result in the recognition of a non-financial asset, the related hedging gains and losses are included in the initial measurement of the cost of the asset.

(a) Derivatives

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 7(h).

(b) Market risk [4,11]

AASB7(21C)

(i) Foreign exchange risk (extracts)

AASB7(22A)(a)

The group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US$. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable US$ expenditures. The objective of the hedges is to minimise the volatility of the Australian dollar cost of highly probable forecast inventory purchases.

AASB7(22A)(b),(c)

The group treasury's risk management policy is to hedge between 65% and 80% of forecast foreign currency cash flows for inventory purchases up to one quarter in advance in US$, subject to a review of the cost of implementing each hedge. For the year ended 31 December 2017, approximately 80% of forecast US$ inventory purchases were hedged in respect of foreign currency risk. At 31 December 2017, 90% of forecasted US$ inventory purchases during the first quarter of 2018 qualified as 'highly probable' forecast transactions for hedge accounting purposes.

The US dollar denominated bank loans are expected to be repaid with receipts from US dollar denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

AASB7(22B)(a)
AASB9(6.5.15),(B6.5.32),
(6.5.16),(B6.5.37)

The group uses a combination of foreign currency option contracts and foreign exchange forward contracts to hedge its exposure to foreign currency risk. Under the group's policy the critical terms of the forward exchange contracts and the options must align with the hedged items. The group designates the spot component of forward contracts and the intrinsic value of foreign currency option contracts as the hedging instrument. The changes in the forward element of the foreign exchange forward contracts and the changes in time value of the options that relate to the hedged item are deferred in the costs of hedging reserve and recognised against the related hedged transaction when it occurs.

Prior to 1 January 2017, the group only designated the spot components of foreign exchange forward contracts in hedge relationships. The forward points of the forward contracts were recognised in profit or loss. Foreign currency option contracts were accounted for as held-for-trading derivatives, at fair value through profit or loss.[3]

AASB9(6.5.16)

The spot component of forward contracts is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points.

AASB9(6.5.15)

The intrinsic value of foreign exchange option contracts is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the spot market exchange rate is defined as the time value.

AASB7(7)

The group also entered into forward exchange contracts in relation to projected purchases for the next 12 months that do not qualify as 'highly probable' forecast transactions and hence do not satisfy the requirements for hedge accounting (economic hedges). These contracts are subject to the same risk management policies as all other derivative contracts. However, they are accounted for as held for trading with gains (losses) recognised in profit or loss.

Hedge of net investment in foreign entity

AASB7(22A)

In 2017, the parent entity has entered into a bank loan amounting to $1,699,000 which is denominated in Chinese renminbi (RMB) and which was taken out to fund an additional equity investment in the Chinese subsidiary. The forward rate of the loan has been designated as a hedge of the net investment in this subsidiary. There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

(b) Market risk [11]

The effects of the foreign currency related hedging instruments on the group's financial position and performance are as follows: [4]

		31 December 2017 $'000
AASB7(24A)(b)	*(i) Derivative financial instruments – foreign currency option contracts*	
AASB7(24A)(a)	Carrying amount (asset)	1,709
AASB7(24A)(d)	Notional amount	**10,000**
AASB7(23B)(a)	Maturity date	**January 2018 – March 2018**
AASB7(22B)(c)	Hedge ratio*	**1:1**
AASB7(24A)(c)	Change in intrinsic value of outstanding hedging instruments since 1 January	**596**
AASB7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	**(596)**
AASB7(23B)(b)	Weighted average strike rate for the year	**US$0.9612:$1**

		31 December 2017 $'000	31 December 2016 $'000
AASB7(24A)(b)	*(ii) Derivative financial instruments – foreign exchange forward contracts*		
AASB7(24A)(a)	Carrying amount (liability)	**(766)**	(777)
AASB7(24A)(d)	Notional amount	**11,519**	10,612
AASB7(23B)(a)	Maturity Date	**January 2018 - March 2018**	January 2017 - March 2017
AASB7(22B)(c)	Hedge ratio*	**1:1**	1:1
AASB7(24A)(c)	Change in discounted spot value of outstanding hedging instruments since 1 January	**(218)**	(935)
AASB7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	**222**	937
AASB7(23B)(b)	Weighted average hedged rate for the year (including forward points)	**US$0.9674:$1**	US$0.9428:$1$

AASB7(22B)(c)

* The foreign exchange forward and option contracts are denominated in the same currency as the highly probable future inventory purchases (US$), therefore the hedge ratio is 1:1.

** The amount deferred in the costs of hedging reserve includes $19,000 in respect of time value of options and $29,000 in respect of forward points (2016 – $40,000 in respect of forward points). All of these deferred costs are in respect of transaction-related items, namely forecast inventory purchases.

		31 December 2017 $'000	
AASB7(24A)(b)	*Net investment in foreign operation*		
AASB7(24A)(a)	Carrying amount (bank loan)	**(1,509)**	-
AASB7(24A)(d)	RMB carrying amount	**RMB 6,946,000**	-
AASB7(22B)(c)	Hedge ratio	**1:1**	-
AASB7(24A)(c)	Change in carrying amount of bank loan as a result of foreign currency movements since 1 January	**190**	-
AASB7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	**(190)**	-
AASB7(23B)(b)	Weighted average hedged rate for the year (including forward points)	**RMB5.93214:CU1**	-

(b) Market risk [11]

AASB7(24E)(a),(24F)

(iii) Reserves

		2017 $'000	2016 $'000
AASB7(24B)(b)(ii)	*Cost of hedging reserve – deferred time value of options and forward points – opening balance*	**(54)**	(25)
AASB7(24B)(b)	Add: Costs of hedging deferred for the year	**(88)**	(77)
AASB9(6.5.9)	Less: Reclassified to the carrying amount of inventory	**77**	36
	Less: Deferred tax	**3**	12
	Closing balance**	**(62)**	(54)
AASB7(24B)(b)(ii)	*Cash flow hedge reserve - intrinsic value of options – opening balance*	**-**	
AASB7(24E)(b)	Add: change in fair value of hedging instrument recognised in OCI for the year (effective portion)	**596**	
AASB9(6.5.9)	Less: reclassified to cost of inventory	**(159)**	
	Less: Deferred tax	**(131)**	
	Closing balance	**306**	
AASB7(24B)(b)(ii)	*Cash flow hedge reserve – spot component of foreign currency forward contracts opening balance*	**(492)**	(287)
AASB7(24E)(c)	Add: change in fair value of hedging instrument recognised in OCI for the year (effective portion)	**(218)**	(935)
AASB9(6.5.9)	Less: reclassified to cost of inventory	**188**	642
	Less: Deferred tax	**9**	88
	Closing balance	**(513)**	(492)
AASB7(24B)(b)(ii)	*Foreign currency translation reserve – hedge of net investment in a foreign operation ^*	**-**	-
AASB7(24E)(a)	Add: change in fair value of hedging instrument recognised in OCI for the year (effective portion)	**190**	-
	Closing balance	**190**	-

^ This reserve is disclosed in the main body of this publication, see note 9(c).

(iv) Hedging gains/losses recognised in profit or loss

		2017 $'000	2016 $'000
AASB7(24C)(b)(ii),(iii)	Hedge ineffectiveness - Amount recognised in 'Fair value gains/losses on financial instruments' in profit or loss within 'Other income'	**4**	2

AASB7(24C)(b)(iv) There were no reclassifications from the cash flow hedge reserve to profit or loss during the period in relation to the foreign exchange forward and option contracts.

AASB7(22B)(b) Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method is to assess effectiveness.

AASB7(23D) Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above foreign currency purchases this may arise if the timing of the transaction changes from what was originally estimated.

(b) Market risk [11]

AASB7(21C)

(ii) Cash flow and fair value interest rate risk (extracts)

AASB7(33)(a),(b)
AASB7(22A)(a),(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. Group policy is to maintain at least 50% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2017 and 2016, the group's borrowings at variable rate were mainly denominated in Australian dollars and US Dollars.

The group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

AASB7(22A)(b)

The group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Generally, the group raises 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.

AASB7(34)(a)
AASB7(22A)c)

The exposure of the group's borrowing to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2017 $'000	**% of total loans**	2016 $'000	% of total loans
Variable rate borrowings	**43,689**	**44%**	40,150	46%
Other borrowings – repricing dates:				
6 months or less	**4,500**	**4%**	3,050	3%
6 – 12 months	**12,640**	**13%**	14,100	16%
1 – 5 years	**28,615**	**28%**	19,780	23%
Over 5 years	**11,000**	**11%**	11,000	12%
	100,444	**100%**	88,080	100%

An analysis by maturities is provided in note 12(d) below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

Instruments used by the group

AASB7(22B)(a),(23B)

Swaps currently in place cover approximately 11% (2016 – 8%) of the variable loan principal outstanding. The fixed interest rates of the swaps used to hedge range between 7.8% and 8.3% (2016 – 9.0% and 9.6%) and the variable rates of the loans are between 0.5% and 1.0% above the 90 day bank bill rate which at the end of the reporting period was 8.2% (2016 – 9.4%).

AASB7(22B)(a)

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

AASB7(22B)(a),(b)

The group enters into swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective. If due to certain circumstances one or more critical terms do not match, the economic relationship and the hedge effectiveness will be assessed quantitatively using a cumulative dollar-offset test.

AASB7(22B)(c),(23D)

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

AASB7(24C)(b)(ii)

There was no ineffectiveness during 2017 in relation to the interest rate swaps.

(b) Market risk [11]

The effects of the interest rate swaps on the group's financial position and performance are as follows:

		31 December 2017 $'000	31 December 2016 $'000
AASB7(24A)(b)	*Derivative financial instruments – interest rate swaps*		
AASB7(24A)(a)	Carrying amount (asset)	**453**	809
AASB7(24A)(d)	Notional amount	**5,010**	3,440
AASB7(23B)(a)	Maturity Date	**2018**	2018
AASB7(22B)(c)	Hedge ratio*	**1:1**	1:1
AASB7(24A)(c)	Change in fair value of outstanding hedging instruments since 1 January	**(202)**	1,005
AASB7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	**202**	1,005
AASB7(23B)(b)	Weighted average hedged rate for the year	**8.1%**	9.3%

		2017 $'000	2016 $'000
AASB7(24E)(a),(24F)	*Reserves*		
AASB7(24B)(b)(ii)	*Cash flow hedge reserve – interest rate swaps opening balance*	**567**	-
AASB7(24B)(b)	Add: Change in fair value of hedging instrument recognised in OCI for the year (effective portion)	**(202)**	1,005
AASB9(6.5.9) AASB7(24C)(b)(iv)	Less: Reclassified from other comprehensive income to profit or loss as the hedged item has affected profit or loss (included in finance costs, see notes 5(d) and 9(c))	**(155)**	(195)
	Less: Deferred tax	**107**	(243)
	Closing balance**	**317**	567

12(c) Credit risk [4,12]

AASB7(31)-(33)

The group is exposed to credit risk if counterparties fail to make payments as they fall due in respect of:

- payment of trade receivables as invoices fall due 60 days after being raised (note 7(d))
- contractual cash flows of debt investments carried at amortised cost (note 7(e)), and
- contractual cash flows of debt investments carried at FVOCI (note 7(a)).

(c) Credit risk [12]

(i) Trade receivables

AASB101(117)
AASB7(35F)(c)
AASB9(5.5.15)

The group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2017 is determined as follows; the expected credit losses below also incorporate forward looking information.

AASB7(35N)
AASB7(35K)(a)

2017	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total $'000
Expected loss rate	1.6%	5%	15%	51%	
Gross carrying amount	15,177	1,428	893	357	17,855
Loss allowance provision	**243**	**71**	**136**	**183**	**633**

AASB7(35H)

The loss allowance provision for trade receivables as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:

		2017 $'000	2016 *,4 $'000
	At 1 January – calculated under AASB 139	**300**	100
AASB7(42P)	Amounts restated through opening retained earnings	**45**	-
	Opening loss allowance as at 1 January 2017 - calculated under AASB 9	**345**	-
	Increase in loan loss allowance recognised in profit or loss during the period	**843**	540
AASB7(35I)(c)	Receivables written off during the year as uncollectible	**(530)**	(285)
AASB7(35I)(c)	Unused amount reversed	**(25)**	(55)
	At 31 December (2016 amounts calculated under AASB 139) *	**633**	300

AASB7(35L)

Loans with a contractual amount of $180,000 written off during the period are still subject to enforcement activity.

AASB7(35K)(a)

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is $17,855,000 (2016 – $11,167,000).

Amounts recognised in profit or loss

AASB7(20)(a)(vi)

During the year, the following gains/(losses) were recognised in profit or loss in other expenses in relation to impaired receivables.

	2017 $'000	2016 *,4 $'000
Impairment losses		
- individual receivables written off directly	**-**	(130)
- movement in provision for impairment	**(843)**	(540)

* In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present: [4]

- significant financial difficulties for of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

(c) Credit risk [12]

(ii) Other financial assets at amortised cost

AASB101(117) Other financial assets at amortised cost include debenture assets, zero coupon bonds and listed corporate bonds (previously held-to-maturity), loans to related parties and key management personnel and other receivables.

AASB7(35H) The loss allowance provision for other financial assets at amortised cost as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:

		Related parties $'000	Key managem. personnel $'000	Deben-tures and bonds $'000	Other recei-vables $'000	Total $'000
	Closing loss allowance as at 31 December 2016 (calculated under AASB 139)	-	-	-	-	-
AASB7(42P)	Amounts restated through opening retained earnings	-	1	4	2	7
	Opening loss allowance as at 1 January 2017 (calculated under AASB 9)	-	1	4	2	**7**
AASB7(20)(a)(vi)	Increase in the provision recognised in profit or loss in other expenses during the period	2	1	17	3	23
	As at 31 December 2017	**2**	**2**	**21**	**5**	**30**

AASB7(35F)(a)(i) All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the period was 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 when 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.

AASB101(117)

(iii) Debt investments at fair value through other comprehensive income

AASB9(5.5.2) Debt investments at fair value through other comprehensive income include listed and unlisted debt securities. The loss allowance provision for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in other comprehensive income.

AASB7(35H) The loss allowance provision for debt investments at FVOCI as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:

		31 December 2017 $'000
	Closing loss allowance as at 31 December 2016 (calculated under AASB 139)	-
AASB7(42P)	Amounts restated through opening retained earnings *	-
	Opening loss allowance as at 1 January 2017 (calculated under AASB 9)	**-**
AASB7(20)(a)(viii)	Increase in the provision recognised in profit or loss in other expenses during the period	8
AASB7(16A)	**As at 31 December 2017**	**8**

AASB7(35F)(a)(i) All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the period was 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 when 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.

* The restatement on transition to AASB 9 as a result of applying the expected credit risk model was immaterial.

(c) Credit risk [12]

Significant estimates and judgements

Impairment of financial assets

AASB9(5.5.17)
AASB101(125)

The impairment provisions for financial assets disclosed in note 12(b)(i)-(iii) 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, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 12(b) above.

[Please refer to note 7(c)(i) of the main body of this publication for significant estimates and judgements relating to the fair value of financial instruments.]

AASB101(117)

25 Summary of significant accounting policies (extract)

AASB101(112)(a),(117)

(a) Basis of preparation (extract)

(iii) New and amended standards adopted by the group

AASB108(28)
AASB9(7.1.1)

The group has elected to apply AASB 9 *Financial Instruments* as issued in December 2014, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting. See note 26 for further details on the impact of the change in accounting policy.

AASB101(119)
AASB7(21)

(o) Investments and other financial assets

Accounting policies applied from 1 January 2017

(i) Classification

AASB9(4.1.1)

From 1 January 2017, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, 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)
AASB9(5.7.1)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. 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.

See note 7 for details about each type of financial asset.

AASB9(4.4.1)

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

AASB9(5.1.1)

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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

AASB9(4.3.2)
AASB9(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.

(o) Investments and other financial assets

Debt instruments

AASB9(5.1.1) 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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

AASB9(4.1.1),(4.1.2A), (5.7.10)
- Fair value through other comprehensive income (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 revenue 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 and losses and impairment expenses in other expenses.

AASB9(4.1.1),(4.1.4)
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss 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 other comprehensive income, 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 fair value through profit or loss are recognised in other gain/(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.

(iii) Impairment

AASB9(5.5.17) 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. Note 12(b) details how the group determines whether there has been a significant increase in credit risk.

AASB9(5.5.15) For trade receivables, the company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Accounting policies applied prior to 1 January 2017

AASB101(110) The group has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Please refer to note 25(o) in the main body of this publication for details.

AASB101(119)
AASB7(21)

(p) Derivatives and hedging activities

AASB9(4.1.4),(5.2.1) Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured 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 and the type of hedge relationship designated.

AASB9(6.3.5) The group designates approximately half of their currency derivatives as hedges of foreign exchange risk associated with the cash flows of highly probable forecast transactions and all of their interest rate swaps as hedges of interest rate risk associated with the variable interest rate on their borrowings (both cash flow hedges).

AASB9(6.4.1)(a),(b) The group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

AASB101(68) The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 12(a). Movements in the hedging reserve in shareholders' equity are shown in note 9(c). 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.

Accounting policies applied from 1 January 2017

(i) Cash flow hedges that qualify for hedge accounting

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, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income (expenses).

AASB9(6.5.15) When option contracts are used to hedge forecast transactions, the group designates only the intrinsic value of the option contract 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 option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

AASB9(6.5.16) When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised 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(6.1.15)
- The gain or loss relating to the effective portion of the intrinsic value of option contracts is treated as follows: 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 aligned time value of the option contracts 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(6.5.16)
- The gain or loss relating to the effective portion of the spot component of forward contracts is treated as follows: 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 aligned forward points 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)
- 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'.

(p) Derivatives and hedging activities

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.

Hedge ineffectiveness is recognised in profit or loss within other expenses.

26 Changes in accounting policies

AASB108(28)(a),(b)

As explained in note 25(a) above, the group has adopted AASB 9 as issued in December 2014, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

AASB108(28)(c)

The accounting policies were changed to comply with AASB 9 as issued by the AASB in December 2014. AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as AASB 7 *Financial Instruments: Disclosures*.

(a) Classification and measurement of financial instruments

The total impact on the group's retained earnings due to classification and measurement of financial instruments (excluding adjustment in the context of hedge accounting at 1 January 2016; see note 26(b)) as at 1 January 2017 is as follows:

AASB108(28)(f)(i)
AASB7(42L)

	Notes	$'000
Opening retained earnings - AASB 139		**36,614**
Reclassify investments from AfS to FVPL	(a)(i)	270
Reclassify own credit risk component of convertible debentures from FVPL to FVOCI	(a)(vii)	(210)
Increase in provision for loans to customers	(c)(i)	(155)
Increase in provision for trade receivables	(c)(ii)	(45)
Increase in provision for debt investments at amortised cost	(c)(ii)	(7)
Increase in provision for debt investments at FVOCI		-
Increase in deferred tax assets relating to impairment provisions	c(i),(ii)	15
Adjustment to retained earnings from adoption of AASB 9		**33**
Opening retained earnings - AASB 9		**36,647**

(a) Classification and measurement of financial instruments

On 1 January 2017, the group's management has assessed which business models apply to the financial assets held by the group at the date of initial application of AASB 9 (1 January 2017) and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this reclassification are as follows:

AASB108(28)(f)(i)
AASB9(42L)

Financial assets – 1 January 2017	Notes	FVPL $'000	FVOCI (Available-for-sale 2016) $'000	Amortised cost (Held-to-maturity 2016)** $'000	Total financial assets $'000
Opening balance – AASB 139 *		**10,915**	**8,228**	**45,532**	**64,675**
Reclassify investments from AfS to FVPL	(i)	980	(980)	-	-
Reclassify listed corporate bonds from AfS to amortised cost	(ii)	-	(100)	100	-
Reclassify non-trading equities from AfS to FVOCI	(iii)	-	-	-	-
Reclassify debentures and zero-coupon bonds from HTM to amortised cost*	(iv)	-	-	-	-
Reclassify listed and unlisted debt securities from AfS to FVOCI*	(v)	-	-	-	-
Opening balance - AASB 9		**11,895**	**7,148**	**45,632**	**64,675**

* The opening balances as at 1 January 2017 show available-for-sale financial assets under FVOCI and held-to-maturity investments under amortised cost, see the table in (viii) below for details. These reclassifications have no impact on the measurement categories.

** Includes cash and cash equivalents.

The impact of these changes on the company's equity is as follows:

AASB108(28)(f)(i)
AASB9(42L)

	Notes	Effect on AfS reserves $'000	Effect on FVOCI reserve $'000	Effect on retained earnings* $'000
Opening balance – AASB 139		**592**	**-**	**36,614**
Reclassify investments from AfS to FVPL	(i)	(70)	-	70
Reclassify non-trading equities from AfS to FVOCI	(iii)	(302)	302	-
Reclassify listed and unlisted bonds from AfS to FVOCI	(v)	(220)	220	-
Reclassify own credit risk component of convertible debentures from FVPL to FVOCI	(vii)	(592)	522	70
Total impact		**-**	**522**	**36,684**
Opening balance - AASB 9		**592**	**-**	**36,614**

* Before adjustment for impairment. See note 26(c)) below.

(i) Reclassification from available-for-sale to FVPL

AASB108(28(f)
AASB7(42J)

Certain investments in shares were reclassified from available-for-sale to financial assets at fair value through profit or loss ($980,000 as at 1 January 2017). They do not meet the criteria to be classified as at amortised cost in accordance with AASB 9, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of $70,000 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2017. In the 2017 financial year, fair value gains related to these investments amounting to $120,000 were recognised in profit or loss, along with related deferred tax expense of $36,000.

(a) Classification and measurement of financial instruments

(ii) Reclassification from available-for-sale to amortised cost

AASB108(28)(f)
AASB7(42J)
AASB9(7.2.11)(b)

Certain investments in listed corporate bonds were reclassified from available-for-sale to amortised cost ($100,000 as at 1 January 2017). At the date of initial application the group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of $100,000 as at 1 January 2017 was equivalent to the amortised cost for these assets. There was no impact on retained earnings at 1 January 2017.

AASB7(42M),(12D)

The fair value at 31 December 2017 of the listed corporate bonds is $150,000 and a fair value gain of $50,000 would have otherwise been recognised in OCI as at 31 December 2017, had the listed corporate bonds not been reclassified to amortised cost.

The effective interest rate determined on 1 January 2017 for these listed bonds is 3.5% and interest income of $4,000 was recognised during the period to 31 December 2017.

(iii) Equity investments previously classified as available-for-sale

AASB108(28)(f)
AASB7(42J)

The group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are not held for trading. As a result, assets with a fair value of $5,748,000 were reclassified from available-for-sale financial assets to financial assets at fair value through OCI and fair value gains of $302,000 were reclassified from the available-for-sale financial assets reserve to the financial assets at fair value through OCI reserve on 1 January 2017. Other income for the 2017 financial year was $646,000 lower as there is no longer any reclassification of accumulated amounts from reserves to profit or loss on the disposal of these investments (tax impact $194,000).

(iv) Reclassification from held-to-maturity to amortised cost

AASB108(28)(f)
AASB9(4.1.2)
AASB7(42J)

Debenture assets and zero-coupon bonds that would have previously been classified as held-to maturity are now classified at amortised cost. The group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2017 to be recognised in opening retained earnings. An increase of $7,000 in the provision for impairment of these assets was recognised in opening retaining earnings for the period.

(v) Available-for-sale debt instruments classified as FVOCI

AASB108(28)(f)
AASB7(42J)

Listed and unlisted bonds were reclassified from available for sale to fair value through other comprehensive income, as the group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, listed and unlisted bonds with a fair value of $1,400,000 were reclassified from available-for-sale financial assets to financial assets at fair value through OCI and fair value gains of $220,000 were reclassified from the available-for-sale financial assets reserve to the financial assets at fair value through OCI reserve on 1 January 2017.

(vi) Other financial assets

AASB108(28)(f)
AASB9(4.1.4)

Equity securities – held for trading and contingent consideration are all required to be held as FVPL under AASB 9. There was no impact on the amounts recognised in relation to these assets from the adoption of AASB 9.

(a) Classification and measurement of financial instruments

(viii) Reclassifications of financial instruments on adoption of AASB 9

AASB7(8)

On the date of initial application, 1 January 2017, the financial instruments of the company were as follows, with any reclassifications noted:

AASB7(42I)(a)(b)

	Measurement category		Carrying amount		
	Original (AASB 139)	**New (AASB 9)**	**Original $'000**	**New $'000**	**Difference # $'000**
Non-current financial assets					
Equity securities	Available for sale	FVOCI*	5,748	5,748	-
Listed and unlisted debt securities	Available for sale	FVOCI*	1,400	1,400	-
Debentures and zero coupon bonds held to maturity	Held to maturity	Amortised cost	1,175	1,175	-
Listed corporate bonds	Available for sale	Amortised cost	100	100	-
Other receivables	Amortised cost	Amortised cost	1,380	1,373	(7)
Preference shares	Available for sale	FVPL**	980	980	-
Derivatives	FVPL	FVPL	809	809	
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	10,867	10,822	(45)
Equity securities – held for trading	FVPL**	FVPL**	10,915	10,915	-
Cash and cash equivalents	Amortised cost	Amortised cost	31,268	31,268	-
Other receivables	Amortised cost	Amortised cost	842	842	-
Derivatives	FVPL**	FVPL**	1,320	1,320	-
Current financial liabilities					
Derivatives	FVPL**	FVPL**	1,398	1,398	-

* FVOCI = Investments in equity instruments and debt instruments

** FVPL = financial assets measured at fair value through profit or loss

\# The differences noted in this column are the result of applying the new expected credit loss model. The reclassifications of the financial instruments on adoption of AASB 9 did not result in any changes to measurements.

(b) Derivatives and hedging activities

AASB108(28)(c)
AASB9(7.2.26)(b)

Consistent with prior periods, the group has elected to designate only the spot component of the change in fair value of foreign exchange forward contracts in cash flow hedge relationships. In prior periods, the change in fair value related to forward points was recognised in the statement of profit or loss.

Upon adoption of AASB 9, the group now recognises changes in the fair value of foreign exchange forward contracts attributable to forward points in the costs of hedging reserve within equity. The deferred costs of hedging are included within the initial cost of the related hedged item (inventory) when it is recognised. This change has been applied retrospectively for foreign exchange forward contracts in cash flow hedge relationships resulting in a retrospective reclassification of a loss of $25,000 from retained earnings to the costs of hedging reserve as of 1 January 2016. For the inventory that is subject to hedge accounting, the group has decided not to restate inventory to the extent that the hedge relationship comes to an end before the date of initial application if the inventory is still held at that time.

AASB9(7.2.24)

The foreign exchange forward contract hedges and interest rate swaps in place as at 31 December 2016 qualified as cash flow hedges under AASB 9. The group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and are thus treated as continuing hedges.

(c) Impairment of financial assets

AASB108(28)(c)

The group has three types of financial assets subject to AASB 9's new expected credit loss model:

- trade receivables for sales of inventory
- debt investments carried at fair value through OCI, and
- debt investments carried at amortised cost.

The group was required to revise its impairment methodology under AASB 9 for each of these classes of assets.

The impact of the change in impairment methodology on the group's equity is disclosed in the table on page 316 above.'

(ii) Trade receivables

AASB101(117)
AASB9(5.5.15)

For trade receivables, the group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected loss provision for all trade receivables.

(iii) Debt investments

AASB101(117)
AASB7(B8A)(a)

Debt investments at amortised cost and those at FVOCI are considered to be low risk, and thus the impairment provision is determined as 12 months expected credit losses.

AASB 9 *Financial instruments*

Scope of illustrated disclosures

AASB9(C17-C19)

1. For the purpose of this appendix, we have assumed that VALUE ACCOUNTS Holdings Limited ('the group') has applied the complete version of AASB 9 *Financial Instruments* as issued by the AASB in December 2014. Where an entity chose a date of initial application which was prior to 1 February 2015, it could have adopted earlier versions of AASB 9, for example the version of AASB 9 without the guidance on expected credit losses. This scenario is not illustrated in this appendix. Furthermore, the disclosures in this appendix do not cover all of the disclosure requirements of AASB 7 (as applicable when AASB 9 is adopted), but rather those which are relevant to the circumstances of VALUE ACCOUNTS Holdings Limited. Where disclosures have been omitted, this is indicated either with a reference to the main body of this publication if the disclosure has been illustrated there, or to the corresponding commentary provided below, which describes the omitted disclosure.

Disclosure of comparative information

AASB7(42Q)
AASB9(7.2.15)
AASB9(7.2.22),(7.2.26)(b)

2. The entity has elected not to restate prior periods except in relation to the fair value of forward points of foreign exchange forward contracts. For the inventory that is subject to hedge accounting the group has decided not to restate inventory to the extent that the hedge relationship came to an end before the date of initial application if the inventory is still held at that time (see note 26(b)). The group is therefore not required to restate comparative line items or present disclosures which would have been presented if the entity had applied AASB 9 in the period prior to the period of initial application. If the group had not applied this accounting policy the impact on those line items would need to be disclosed and a third balance sheet as of 1 July 2016 would need to be included with the financial statements.

AASB9(7.2.26)(a)

3. The intrinsic value of foreign currency options contracts has been designated as a hedging instrument from 1 January 2017 onwards only. If the group had already used the instruments as hedging instruments under AASB 139 and changed the accounting for the time value of options, it would have to apply these changes retrospectively and restate prior periods.

AASB101(38)
AASB9(7.2.15)

4. As a general rule, entities must provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. However, where the entity did not adopt the new requirements retrospectively, the disclosures for the comparative period should reflect the accounting treatment applied in that period and be provided in accordance with AASB 7 pre-amendment by AASB 9. This applies also to the hedging and impairment disclosures which are illustrated in the main body of this publication and have not generally been repeated here. Disclosures that apply to particular measurement categories, eg financial assets at FVOCI, do not need to be provided for the prior period if the entity has reclassified the assets only at the beginning of the current period.

AASB 9 Financial instruments

Classifying preference shares

AASB9(4.1.2)(b) (B4.1.7)-(B4.1.26) AASB101(122)

5. Preference shares must be analysed carefully to determine if they contain features that cause the instrument not to meet the definition of equity. If such shares meet the definition of equity, the entity may elect to carry them at FVOCI without recycling to profit or loss if not held for trading. If they do not, they must be further analysed to determine the underlying business model and whether the contractual cash flows are solely payments of principal and interest. VALUE ACCOUNTS Holdings Limited undertook this analysis and concluded that the preference shares should be held at fair value through profit or loss, as the shares do not meet the definition of equity and their cash flows relating to interest payments can be deferred and such deferral does not result in interest accruing on the deferred amount (such that the contractual cash flows are not solely payment of interest and principal). Where the classification involves significant judgement and the relevant amounts are material, the entity should consider disclosing the rationale for classifying such shares as debt instruments.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

The following requirements of AASB 7 and AASB 9 are not illustrated in this Appendix:

6. Initial application

	Issue not illustrated	Relevant disclosures or reference
AASB7(42I)(c),(42J) AASB7(42M)-(42N)	The entity has financial assets or financial liabilities which were previously measured at FVPL but are no longer so designated.	Distinguish between those which had to be reclassified on adoption of AASB 9 and those where reclassification was optional on the date of initial application. Disclose the reasons for the de-designation and provide the additional disclosures required by AASB 7 (41M) and (41N).
AASB7(42R),(42S)	The entity has applied either of the two practical expedients provided on transition in relation to the solely payments of principal and interest assessment (AASB 9 paragraph 7.2.4 and 7.2.5).	Provide the additional disclosures required by AASB 7 (42R) and (42S).

7. Financial assets and liabilities at FVPL

	Issue not illustrated	Relevant disclosures or reference
AASB7(8)(a),(20)(a)(i)	The entity has financial assets measured at FVPL of which: - some were designated as such upon initial recognition; - some were designated as such in accordance with AASB 9 (6.7.1); - some are mandatorily measured at FVPL in accordance with the requirements of AASB 9.	Disclose each of these financial assets and the associated gains/losses separately. All of VALUE ACCOUNTS Holding Limited's financial assets are mandatorily measured at FVPL; hence this disclosure does not apply.
AASB7(9)	The entity has designated financial assets at FVPL which would otherwise be measured at FVOCI or amortised cost.	Provide additional disclosures as per AASB 7(9).
AASB7(11)(b)	The entity believes that the disclosures on how credit risk is calculated in relation to financial assets or liabilities designated at FVPL do not faithfully represent the fair value changes due to credit risk.	Disclose the reason for reaching this conclusion and what alternative factors would be relevant.
AASB7(10),(10A),(11)	The entity has financial liabilities designated at FVPL.	A number of additional disclosures apply as set out in AASB 7 paragraphs 8, 10, 10A, 11 and 20. Some, but not all of these, are illustrated below.

AASB 9 Financial instruments

8. Financial assets and liabilities at FVOCI

	Issue not illustrated	Relevant disclosures or reference
AASB7(20)(a)(viii)	A gain or loss recognised on disposal of debt instruments held at FVOCI.	Show separately: -The amount of gain or loss recognised in other comprehensive income during the period; and - the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

9. Financial assets at amortised cost

AASB7(20A)	Disposal of financial assets at amortised cost.	Disclose an analysis of the gain or loss recognised and the reasons for derecognising the financial assets.
AASB7(42N)	Disclosure in future periods for financial assets held at fair value reclassified to be held amortised cost, where the new carrying amount is deemed to be the current fair value.	Disclose the effective interest rate determined at the date of reclassification and the interest revenue or expense recognised, each period, until the financial asset is derecognised.
AASB7(12B)-(12D)	Reclassification of financial assets from one measurement category to another.	Provide the information required under AASB 7 (12B) – (12D).

10. Transfer of financial assets

	Issue not illustrated	Relevant disclosures or reference
AASB7(42D-42H)	Transfer of financial assets which did not qualify for derecognition, or only partially qualified for derecognition.	Provide the information required under AASB 7 (42D-42H).

11. Hedge accounting disclosures

	Issue not illustrated	Relevant disclosures or reference
AASB7(22C)	The entity has designated a specific risk component of an asset in a hedge relationship (e.g. the movement in crude oil price of a barrel of crude oil).	Provide information about how the entity has determined the risk component that is designated as the hedged item and how this component relates to the item in its entirety. See paragraph 13 below for a disclosure example.
AASB7(23C)	The entity frequently resets hedging relationships (dynamic hedging).	Provide the additional disclosures required by AASB 7 paragraph 23C.
AASB7(24B),(24C)	The entity has designated fair value hedges.	Provide the disclosures required by AASB 7 (24B(a)) and (24C(a)).

AASB 9 Financial instruments

Reference		
AASB7(23F) AASB7(24C)(b)(iv) AASB7(24C)(b)(v)	The entity designated forecast future transactions in hedge relationships which are no longer expected to occur.	Provide the information required by AASB 7 (23F). The entity would also need to disclose: - any amount reclassified from the cash flow hedge reserve and/or costs of hedging reserve into profit or loss as a reclassification adjustment, differentiating between amounts reclassified due to future transactions no longer being expected to occur and hedge ineffectiveness; and - the line item in the statement of comprehensive income containing the reclassification adjustment.
AASB7(24C)(b)(vi)	Designate net positions in hedge relationships.	Disclose the hedging gains or losses recognised in each separate line item in the statement of comprehensive income.
AASB7(24G-30)	The entity has a credit derivative to manage the credit risk of a financial instrument and has designated the financial instrument, or a proportion of it, as measured at FVPL.	Provide the information required by AASB 7(24G to 30).
AASB7(24B)(b)(iii)	Cessation of hedging relationships during the year.	Disclose the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve for any hedge relationships which have been terminated.
AASB7(23E)	There are new sources of hedge ineffectiveness emerging in the hedge relationship that are not already disclosed in note 12(a).	Disclose the new sources of hedge ineffectiveness by risk category and explain the nature of the ineffectiveness.
AASB7(24D)	The entity believes that the volume of hedge relationships at the end of the reporting period is unrepresentative of normal volumes during the period.	Disclose that fact and the reason why the entity believes the volumes are unrepresentative.

AASB 9 Financial instruments

12. Credit risk and impairment disclosures

Reference	Issue not illustrated	Relevant disclosures or reference
AASB7(42P) AASB7(35H)-(35L)	Reconciliation of AASB 139 loan loss allowance to AASB 9 loan loss allowance in subsequent years after the initial application.	The AASB 139 loan loss allowance must be reconciled to the AASB 9 loan loss allowance in the year initial application of AASB 9, as illustrated in Note 12(b). In future periods, the entity need only provide details of movements in the AASB 9 loan loss allowance as required by AASB 7 (35H – 35L).
AASB7(35F)-(35M)	The entity has adopted the general expected credit loss model for material financial assets, eg in relation to customer loans.	Provide the disclosures required by AASB 7 (35F)-(35M), see illustration in paragraph 13 below.
AASB7(35F)(f),(35J)	The entity has financial assets which are subject to the impairment requirements of AASB 9 and which have had modifications to their contractual cash flows.	Provide the disclosures required by AASB 7 (35F(f)), (35I)(b) and (35J).
AASB7(35H)(c) AASB7(35I)	The entity has purchased or originated financial assets which are credit impaired.	Disclose the information required by AASB 7 (35H(c) and 35I).
AASB7(35K)	The entity has received collateral or other credit enhancements in relation to its financial assets.	Explain the effect of the collateral and other credit enhancements on the amounts arising from expected credit losses by disclosing the information set out in AASB 7 (35K).
AASB7(36)	The entity has financial assets that are within the scope of AASB 7 but which are not subject to the impairment requirements of AASB 9.	Disclose the amount that best represent the maximum exposure to credit risk and describe any collateral held as security and other credit enhancements and their financial effect.
AASB7(35E)	The entity believes that the credit risk disclosures are not sufficient to meet the objective of AASB 7(35B).	Provide additional disclosures relevant to the users of the financial statements.

13. The following disclosure examples may be useful where relevant to an entity

Financial liabilities designated at FVPL

AASB7(21) AASB9(4.3.5) The company has convertible debentures which are classified entirely as liabilities because they were issued in a currency other than the functional currency of the company. As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair value through profit or loss are expensed as incurred

AASB9(5.7.7) Upon adoption of AASB 9, the component of fair value changes relating to the company's own credit risk is recognised in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

AASB 9 Financial instruments

		2017 $'000	2016 $'000
	Carrying amount	**104,715**	88,863
	Includes:		
AASB7(10)(a)	*Cumulative change in fair value of convertible debentures attributable to changes in credit risk, recognised in the financial assets and liabilities at FVOCI reserve*	***225***	*210*
	Amount the company is contractually obligated to pay to holders of the convertible debentures at maturity	**102,620**	87,086
AASB7(10)(b)	**Difference between carrying amount and the amount the company is contractually obligated to pay to holders of convertible debentures at maturity**	**2,095**	1,777

AASB7(11)(a) The company determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the convertible debentures. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are included in the assessment of market risk fair value changes.

AASB7(11)(b) The company believes that this approach most faithfully represents the amount of change in fair value due to the company's own credit risk, as the changes in factors contributing to the fair value of the convertible debentures other than changes in the benchmark interest rate are not deemed to be significant.

Designation of a specific risk component of an asset in a hedge relationship

AASB7(22C) The company purchases fuel for use in its manufacturing process. The fuel supplier charges the company for fuel delivered based on a formula which includes the spot price of Brent Crude oil at the delivery date. The future purchases of fuel are subject to market price risk, which the company hedges using Brent Crude Oil futures with critical terms matching the terms of the forecast purchase.

Brent Crude oil is a separately identifiable component of the forecast purchase as it is explicitly specified in the supply contract price. As there is a market for Brent Crude oil futures, the exposure is considered to be reliably measurable.

Accordingly, the Brent Crude oil futures are designated as cash flow hedges of the forecast purchases of fuel.

Historically, the Brent Crude oil component has accounted for 80% of the cost of fuel supplied.

Credit risk disclosures – customer loans, general expected credit loss model applied

AASB7(35F)(a) The company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

AASB9(B.5.5.17)

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

AASB 9 Financial instruments

- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

AASB7(35F)(b) A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

AASB7(35F)(e) Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 120 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

(i) Loans to customers

AASB7(35F)(a) The company uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

A summary of the assumptions underpinning the company's expected credit loss model is as follows

AASB7(35F)(b),(d)-(e)
AASB7(35G)(a)

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery.	Asset is written off

Interest bearing loans are provided to small-business customers to assist them with new business start-up costs as part of the company's ongoing support for local entrepreneurs. The company does not require the small-business customers to pledge collateral as security against the loan.

AASB7(35G)(b) Over the term of the loans, the company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data. The company provides for credit losses against loans to customers as follows:

AASB 9 Financial instruments

AASB7(35F)(b),(d)-(e), (35G)(a),(35M)

Company internal credit rating	External credit rating*	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default	Carrying amount (net of impairment provision)	Basis for calculation of interest revenue
Performing	AAA	0.9%	12 month expected losses	45,775	45,374	Gross carrying amount
	AA	1.3%		31,668	31,272	
	A	2.2%		14,117	13,806	
Underperforming	BBB	7.3%	Lifetime expected losses	1,137	1,054	Gross carrying amount
	BB	10.0%		219	197	
	B	12.2%		65	57	
Not performing	CCC	14.0%	Lifetime expected losses	380	327	Amortised cost carrying amount (net of credit allowance)
	CC	18.0%		89	73	
	C	30.0%		30	21	
Write off	D	50.0%	Asset is written off through profit or loss to the extent of expected losses	20	10	None
Total loans					**92,191**	

AASB7(35M) *or equivalent internal rating.

AASB7(35G)(c) No significant changes to estimation techniques or assumptions were made during the reporting period.

AASB7(35H) The loss allowance provision for loans to customers as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:

	Performing $'000	Under-performing $'000	Non-performing $'000	Total $'000
Closing loss allowance as at 31 December 2016 (calculated under AASB 139)	666	12	162	840
AASB7(42P) Amounts restated through opening retained earnings	55	70	30	155
Opening loss allowance as at 1 January 2017 (calculated under AASB 9)	**721**	**82**	**192**	**995**
AASB7(35H)(b)(i) Individual financial assets transferred to under-performing (lifetime expected credit losses)*	(25)	33		8
AASB7(35H)(b)(ii) Individual financial assets transferred to non - performing (credit-impaired financial assets)	-	(2)	2	-
AASB7(35I)(a) New financial assets originated or purchased	367	-	-	367
AASB7(35I)(c) Write-offs	-	-	(109)	(109)
AASB7(35I)(c) Recoveries	(14)	(5)	(12)	(31)
Change in risk parameters**	53	-	-	53
Other changes	6	5	5	16
Closing loss allowance as at 31 December 2017 (calculated under AASB 9)	**1,108**	**113**	**78**	**1,299**

* The increase in the loss allowance of 8 is due to moving assets being measured at 12-month expected credit losses to lifetime expected credit losses.

AASB7(35I)(d) ** The increase in the loss allowance is due to an increase in the probability of default (PD) used to calculate the 12-month expected credit loss for the performing loans.

AASB 9 Financial instruments

AASB7(35L)

Loans with a contractual amount of $60,000 written off during the period are still subject to enforcement activity.

AASB7(35K)(a)

The gross carrying amount of loan receivables, and thus the maximum exposure to loss, is as follows:

	31 December 2017 $'000
Performing	91,560
Underperforming	1,421
Non-performing	499
Loans written off	20
Total gross loan receivables	93,500
Less: Loan loss allowance	(1,299)
Less: Write off	(10)
Loan receivables net of expected credit losses	**92,191**

Appendix I: AASB 15 *Revenue from contracts with customers*

AASB 15 was first issued in December 2014. It was amended in October 2015 to defer the effective date to 1 January 2018 and in May 2016 to provide clarifications in relation to a number of issues raised with the *Joint IASB/FASB Transition Resource Group for Revenue Recognition*. The standard can still be applied early by Australian entities.

This appendix illustrates the types of disclosures that would be required if our fictional company, VALUE ACCOUNTS Holdings Limited, decided to first apply AASB 15 for its reporting period ending 31 December 2017. Other circumstances might require additional disclosures that are not applicable to VALUE ACCOUNTS Holdings Limited. These are explained in the commentary at the end of this document. The disclosures in this document must be read in the context of the assumptions set out below. Different facts and circumstances could result in different measurements and classifications. Footnote references point to additional commentary at the end of this document.

Assumptions made

In compiling these illustrative disclosures, we have made the following assumptions:

- VALUE ACCOUNTS Holdings Limited has applied AASB 15 for the first time in the 2017 financial report (initial application date: 1 January 2017) and has chosen a full retrospective application of AASB 15 in accordance with AASB 15.C3(a) without using the practical expedients for completed contracts in AASB 15.C5(a) and (b).
- The adoption of AASB 15 required changes in the group's accounting policies and affected the recognition, measurement and presentation of certain amounts recognised in the statement of profit or loss and the balance sheet. See note 26 for explanations.
- The group does not incur material costs to obtain contracts with customers such as sales commissions.
- Disclosures required under other standards such as AASB 7 that could be necessary (for example, for receivables arising from contracts with customers) are not illustrated.
- The effect of the adoption of AASB 15 on the line items in the balance sheet has been illustrated but not all of the disclosures that are required following a change in accounting policy have been provided. For an illustration of the disclosures that are required for changes in accounting policies, please refer to Appendix F which shows a change in accounting for bearer plants (Biological assets).
- The amendments made in May 2016 did not affect any of the accounting policies or disclosures included in this Appendix.

AASB101(10)(b),(10A)

Consolidated statement of profit or loss (extract)

		Notes	2017 $'000	2016 Restated * $'000
AASB101(51)(c),(e) AASB101(113)				
	Continuing operations			
AASB101(82)(a)	Revenue	3	**204,890**	148,680

AASB101(10)(a),(f),(54)

Consolidated balance sheet

		Notes	31 Dec 2017 $'000	31 Dec 2016 Restated * $'000	1 Jan 2016 Restated * $'000
AASB101(51)(c),(e) AASB101(113)					
AASB101(60),(66)	**ASSETS**				
	Current assets				
AASB101(54)(h) AASB7(8)(c)	Trade and other receivables	7(a) **	**17,388**	9,587	6,346
	Contract assets	3(b)	**1,859**	3,117	1,897
AASB101(60),(69)	**Current liabilities**				
AASB101(54)(k)	Contract liabilities	3(b)	**2,527**	1,760	934

* See note 26 for details about changes in accounting policies

** Please refer to note 7(a) in the main body of this publication for this disclosure.

3 Revenue from contracts with customers [1,10]

AASB15(113)

The group has recognised the following amounts relating to revenue in the statement of profit or loss:

		Notes	2017 $'000	2016 Restated * $'000
AASB15(113)(a)	Revenue from contracts with customers	(a)	**197,650**	141,440
	Revenue from other sources: Rental and sub-lease rental income	8(b) **	**7,240**	7,240
	Total revenue		**204,890**	148,680

* See note 26 for details about changes in accounting policies

** Please refer to note 8(b) in the main body of this publication for this disclosure.

(a) Disaggregation of revenue from contracts with customers [2-4]

AASB15(114)

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 and geographical regions:

	2017	**Furniture – manufacture**		**Furniture-retail**	**IT Consulting**		**Electronic equipment**	**All other segments**	**Total**
		Australia $'000	**China $'000**	**Australia $'000**	**US $'000**	**Europe $'000**	**Australia $'000**	**$'000**	**$'000**
AASB15(115)	Segment revenue	**55,100**	**35,100**	**31,600**	**33,300**	**16,900**	**13,850**	**16,600**	**202,450**
AASB8(23)(b)	Inter-segment revenue	**(1,200)**	**(700)**	**(900)**	**(800)**	**(300)**	**(500)**	**(400)**	**(4,800)**
AASB8(23)(a),(28)(a)	Revenue from external customers	**53,900**	**34,400**	**30,700**	**32,500**	**16,600**	**13,350**	**16,200**	**197,650**
	Timing of revenue recognition								
AASB15(B87)-(B89)	At a point in time	**53,900**	**34,400**	**30,700**	**1,000**	**600**	**13,350**	**16,200**	**150,150**
	Over time	**-**	**-**	**-**	**31,500**	**16,000**	**-**	**-**	**47,500**
		53,900	**34,400**	**30,700**	**32,500**	**16,600**	**13,350**	**16,200**	**197,650**

	2016	Furniture – manufacture		Furniture-retail	IT Consulting		Electronic equipment	All other segments	Total
		Australia $'000	China $'000	Australia Restated $'000	US $'000	Europe $'000	Australia $'000	$'000	$'000
AASB15(115)	Segment revenue	60,350	22,560	14,300	22,600	14,790	-	10,400	145,000
AASB8(23)(b)	Inter-segment revenue	(1,150)	(800)	(300)	(600)	(610)	-	(100)	(3,560)
AASB8(23)(a),(28)(a)	Revenue from external customers	59,200	21,760	14,000	22,000	14,180	-	10,300	141,440
AASB15(B87)-(B89)	Timing of revenue recognition								
	At a point in time	59,200	21,760	14,000	800	500	-	10,300	106,560
	Over time	-	-	-	21,200	13,680	-	-	34,880
		59,200	21,760	14,000	22,000	14,180	-	10,300	141,440

(b) Contract assets and liabilities

AASB15(116)(a) The group has recognised the following revenue-related contract assets and liabilities

		Notes	31 Dec 2017 $'000	31 Dec 2016* $'000	1 Jan 2016 * $'000
AASB101(77)	Contract assets relating to IT consulting contracts	(b)(i),(c(iv)	**1,547**	2,597	1,897
	Asset recognised for costs incurred to fulfil contracts	(b)(iv)	**312**	520	-
	Total contract assets		**1,859**	3,117	1,897
AASB101(77)	Contract liability – expected volume discounts	(b)(i),(c)(i)	**350**	125	100
AASB101(77)	Contract liability – expected refunds to customers	(c)(i),(ii)	**145**	110	179
AASB101(77)	Contract liabilities – customer loyalty programme	(c)(iii)	**602**	536	450
AASB101(77)	Contract liabilities – IT consulting contracts	(b)(iii),(c)(iv)	**1,430**	989	205
	Total contract liabilities		**2,527**	1,760	934

* Reclassified and remeasured amounts – see note 26 for explanations

(i) Significant changes in contract assets and liabilities

AASB15(118),(113)(b) Contract assets have decreased as the group has provided fewer services ahead of the agreed payment schedules for fixed-price contracts. There was also an impairment write-down of $77,000 recognised in relation to the asset for costs to fulfil contracts, see (iv) for further information.

Contract liabilities for expected volume discounts and IT consulting contracts have increased by $473,000 following the acquisition of VALUE IFRS Electronics Group, see note 14*.

* This disclosure is illustrated in the main body of this publication.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

		31 Dec 2017 $'000	31 Dec 2016 Restated $'000
AASB15(116)(b)	*Revenue recognised that was included in the contract liability balance at the beginning of the period*		
	IT consulting contracts	**230**	178
	Customer loyalty programme	**190**	272 *
AASB15(116)(c)	*Revenue recognised from performance obligations satisfied in previous periods*		
	Consideration from furniture wholesale contract, not previously recognised due to the constraint, see c(i) below.	**150**	-

* See note 26 for details about changes in accounting policies

(iii) Unsatisfied long-term consulting contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term IT consulting contracts.

		31 Dec 2017 $'000	31 Dec 2016 * $'000
AASB15(120)	Aggregate amount of the transaction price allocated to long-term IT consulting contracts that are partially or fully unsatisfied as at 31 December	**8,881**	- *

AASB15(C5)(c),(C6) * As permitted under the transitional provisions in AASB 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2016 is not disclosed.

AASB15(120)(b),(122) Management expects that 60% of the transaction price allocated to the unsatisfied contracts as of 31 December 2017 will be recognised as revenue during the next reporting period ($5,328,000). The remaining 40% ($3,553,000) will be recognised in the 2019 financial year. The amount disclosed above does not include variable consideration which is constrained.

(b) Contract assets and liabilities (continued)

AASB15(121),(122)

All other IT consulting contracts are for periods of one year or less or are billed based on time incurred. As permitted under AASB 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the group has also recognised an asset in relation to costs to fulfil a long-term IT contract. This is presented within contract assets in the balance sheet.

		31 Dec 2017 $'000	31 Dec 2016 * Restated $'000
AASB15(128)(a)	Asset recognised from costs incurred to fulfil a contract at 31 December	**312**	520
AASB15(128)(b)	Amortisation and impairment loss recognised as cost of providing services during the period	**208**	131

* See note 26 for details about changes in accounting policies

AASB15(118),(127)
AASB136(126)(a)

In adopting AASB 15, the group recognised an asset in relation to costs incurred in developing an IT platform that is used to fulfil an IT consulting fixed-price contract. These costs had been expensed as incurred in 2016, see note 26(iii) for further explanations. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. Due to an increase in expected costs by 30% in the financial year 2017, management does not expect the capitalised costs to be completely recovered. An impairment loss of $77,000 has therefore been recognised for the excess of the capitalised cost over the expected remaining consideration less any directly related costs not yet recognised as expense.

AASB15(119)

(c) Accounting policies and significant judgements

(i) Sale of goods - wholesale

AASB15(119)(a),(c),(123)(a),(125)

The group manufactures and sells a range of furniture and electronic equipment 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.

AASB15(119)(b),(d)(123)(b),(126)

The furniture is often sold with 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 contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No 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 provide a refund for faulty products under the standard warranty terms is recognised as a provision, see note 8(h)* for details.

AASB15(117)

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.

* This disclosure is illustrated in the main body of this publication.

AASB15(119)

(c) Accounting policies and significant judgements (continued)

AASB15(123)

Critical judgements in recognising revenue

The group has recognised revenue amounting to $2,950,000 for sale of furniture to a wholesale customer in December 2017. 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 have determined that it is highly probable that there will be no rescission of the contract and a significant reversal in the amount of revenue recognised will not occur. It is therefore appropriate to recognise revenue on this transaction during 2017 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 2018 financial statements if the sale is cancelled ($1,625,000 for the reversal of 2017 profits and $135,000 of costs connected with returning the stock to the warehouse).

In 2016, the group did not recognise revenue of $280,000 in relation to a wholesale contract with volume discounts for a new customer and new product line. The group did not have any experience with the customer's purchase pattern and the product line. Management therefore determined that it was not highly probable that a portion of the revenue will not reverse. Of the $280,000 of revenue not recognised in 2016, $150,000 was recognised in the current financial year based on the actual volume sold for the contract period, see (b)(ii) above.

(ii) Sale of goods – retail

AASB15(119)(a),(c) (123),(125)

The group operates a chain of retail stores selling household furniture. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

AASB15(117),(119)(b),(d) (123)(b),(126)

Payment of the transaction price is due immediately when the customer purchases the furniture. It is the group's policy to sell its products to the end customer with a right of return within 28 days. Therefore, a contract liability (refund liability) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

(iii) Sale of goods – customer loyalty programme

AASB15(119)(a),(c) (123),(125)

The group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire 12 months after the initial sale.

AASB15(123),(126)(c)

AASB15(119)(b),(d) (123)(b),(126)

Critical judgements in allocating the transaction price

The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience.

The stand-alone selling price of the product sold is estimated on the basis of the retail price. Discounts are not considered as they are only given in rare circumstances.

AASB15(117)

A contract liability is recognised until the points are redeemed or expire.

AASB15(119)

(c) Accounting policies and significant judgements (continued)

(iv) IT Consulting services

AASB15(119)(a),(c) (124),(125)

The IT consulting division provides business IT management, design, implementation and support services. 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. This is determined based on the actual labour hours spent relative to the total expected labour hours.

AASB15(22),(73),(79)

Some contracts include multiple deliverables, such as the installation of hardware and software. In most cases, 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. In this case, 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.

AASB15(119)(b),(d) (123)(b)

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.

AASB15(117)

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

AASB15(117),(B16)

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

AASB15(123),(126)(c)

Critical judgements in allocating the transaction price

Some fixed-price IT support contracts include an allowance for one free of charge hardware replacement per contract period up 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.

(v) Land development and resale

AASB15(119)(a),(c) (123),(125)

The group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

AASB15(119)(b),(d) (123)(b),(126),(129),(63) AASB15(117)

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

(vi) Financing components

AASB15(129),(63)

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.

12 Financial risk management (extract)

(c) Credit risk (extract)

(iv) Impaired trade receivables (extract)

Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired receivables.

		2017 $'000	2016 $'000
AASB7(20)(e)	Impairment losses		
	- individually impaired receivables	**(200)**	(130)
	- movement in provision for impairment	**(580)**	(540)
AASB7(20)(e)	Reversal of previous impairment losses	**35**	125

AASB15(113)(b)

Of the above impairment losses, $739,000 (2016 – $647,000) relate to receivables arising from contracts with customers (see note 3).

AASB101(117)

25 Summary of significant accounting policies (extract)

AASB101(112)(a),(117)

(a) Basis of preparation (extract)

(iii) New and amended standards adopted by the company

AASB108(28)(b),(d)
AASB15(C3)

The group has elected to apply AASB 15 *Revenue from Contracts with Customers* as issued in December 2014. In accordance with the transition provisions in AASB 15 the new rules have been adopted retrospectively and comparatives for the 2016 financial year have been restated. See note 26 below for further details on the impact of the change in accounting policy.

AASB101(119)

(e) Revenue recognition

The accounting policies for the group's main types of revenue are explained in note 3.

26 Changes in accounting policies [5-8,10]

AASB108(28)(c)

As indicated in note 25(a) above, the group has adopted AASB 15 as issued in December 2014, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The main changes are explained below.

(i) Accounting for refunds

When the customer has a right to return the product within a given period, the group previously recognised a provision for returns which was measured on a net basis at the margin on the sale ($100,000 at 31 December 2015 and $72,000 at 31 December 2016). Revenue was adjusted for the expected value of the returns and cost of sales were adjusted for the value of the corresponding goods expected to be returned.

Under AASB 15, if the customer returns a product, the entity is obliged to refund the purchase price. Therefore, a gross contract liability (refund liability) for the expected refunds to customers is recognised as adjustment to revenue ($179,000 at 1 January 2016 and $110,000 at 31 December 2016). At the same time, VALUE ACCOUNTS Holdings Limited has a right to recover the product from the customer where the customer exercises his right of return and recognises an asset and a corresponding adjustment to cost of sales ($79,000 at 1 January 2016 and $38,000 at 31 December 2016). The asset is measured by reference to the former carrying amount of the product. The costs to recover the products are not material because the customer usually returns the product in a saleable condition at the store.

To reflect this change in policy, the group reclassified $100,000 from provisions to contract liabilities of $179,000 and contract assets of $79,000 at 1 January 2016 ($72,000 from provisions to contract liabilities of $110,000 and contract assets of $38,000 as at 31 December 2016).

(ii) Accounting for customer loyalty programme

In previous reporting periods, the consideration received from the sale of goods was allocated to the points and the goods sold using the residual method. Under this method, a part of the consideration equalling the fair value of the points was allocated to the points. The residual part of the consideration was allocated to the goods sold.

Under AASB 15, the total consideration must be allocated to the points and goods based on the relative stand-alone selling prices. Using this new method, the amounts allocated to the goods sold are, on average, higher than the amounts allocated under the residual value method. As a consequence, the contract liability recognised in relation to the customer loyalty programme on 1 January 2016 ($450,000) was $40,000 lower than the amount recognised as deferred revenue under the previous policy, with a corresponding reduction of deferred tax assets by $12,0000 and a net adjustment to retained earnings of $28,000. Revenue for 2016 increased by $6,000 and the restated contract liability at 31 December 2016 was $34,000 lower than the amount previously recognised as deferred revenue. This reduced the related deferred tax assets by CU10,000 and retained earnings increased by $24,000 as a consequence.

(iii) Accounting for costs to fulfil a contract

In 2016, costs amounting to $520,000 related to data transfer for the set-up of an IT platform relating to a long term IT contract were expensed as they did not qualify for recognition as an asset under any of the other accounting standards. However, the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered. They were therefore capitalised as costs to fulfil a contract following the adoption of AASB 15 and included in contract assets in the balance sheet as at 31 December 2016. A deferred tax liability of $156,000 was recognised, resulting in net adjustment to retained earnings of $364,000.

(iv) Presentation of contract assets and contract liabilities [9]

VALUE ACCOUNTS Holdings Limited has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of AASB 15:

- Contract assets recognised in relation to IT consulting contracts were previously presented as part of trade and other receivables ($1,897,000 as at 1 January 2016 and $2,597,000 at 31 December 2016).
- Contract liabilities in relation to expected volume discounts and refunds to customers were previously presented as current provisions ($200,000 as at 1 January 2016 and $197,000 at 31 December 2016).
- Contract liabilities in relation to IT consulting contracts were previously included in trade and other payables ($205,000 as at 1 January 2016 and $989,000 at 31 December 2016).
- Contract liabilities in relation to the customer loyalty programme were previously presented as deferred revenue, see (ii) above.

In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2016) and at the end of the comparative period (31 December 2016):

	Notes	AASB 118 carrying amount 31 Dec 2015 $'000	Reclassi-fication $'000	Remeasure-ments $'000	AASB 15 carrying amount 1 January 2016 $'000	Retained earnings effect 1 January 2016 $'000
Trade and other receivables	(iv)	8,243	(1,897)	-	6,346	-
Other current assets	(i)	-	-	79	79	-
Contract assets	(iv)	-	1,897	-	1,897	-
Contract liabilities	(i),(ii),(iv)	-	855	79	934	-
Deferred revenue	(ii),(iv)	490	(450)	(40)	-	40
Trade and other payables	(iv)	12,930	(205)	-	12,725	
Provisions	(iv)	730	(200)	-	530	-
Deferred tax assets	(ii)	3,681	-	(12)	3,669	(12)

		AASB 118 carrying amount 31 Dec 2016 $'000	Reclassi-fication $'000	Remeasure-ments $'000	AASB 15 carrying amount 1 January 2017 $'000	Retained earnings effect 1 January 2017 $'000
Trade and other receivables	(iv)	12,184	(2,597)	-	9,587	-
Other current assets	(i)	-	-	38	38	-
Contract assets	(iii),(iv)	-	2,597	520	3,117	520
Contract liabilities	(i),(ii),(iv)	-	1,722	38	1,760	-
Deferred revenue	(ii),(iv)	570	(536)	(34)	-	34
Trade and other payables	(iv)	12,477	(989)	-	11,488	
Provisions	(iv)	1,240	(197)	-	1,043	-
Deferred tax assets	(ii)	4,979	-	(10)	4,969	(10)
Deferred tax liabilities	(iii)	6,660	-	156	6,816	(156)

AASB 15 *Revenue from contracts with customers*

Objectives of disclosures

AASB15(110)

1. Users of the financial statements should be given sufficient information to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve this, entities must provide qualitative and quantitative information about their contracts with customers, significant judgement made in applying AASB 15 and any assets recognised from the costs to obtain or fulfil a contract with customers.

Disaggregation of revenue

AASB15(114), (B87)-(B89)

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 Holdings Limited has determined that a disaggregation of revenue using existing segments and 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.
3. Other categories that could be used as basis for disaggregation include:
   (a) type of good or service (eg major product lines)
   (b) geographical regions
   (c) market or type of customer
   (d) type of contract (eg 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).

AASB15(115)

4. When selecting categories for the disaggregation of revenue entities should also consider how their revenue is presented for other purposes, eg in earnings releases, annual reports or investors presentation and what information is regularly reviewed by the chief operating decision makers. Where revenue is disaggregated on a basis other than reportable segments, the entity must disclose sufficient information so users of their financial statements can understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each reportable segment.

Disclosure of comparative information and transition requirements

AASB15(C1)

5. Entities must apply the revenue standard in the first interim period within annual reporting periods beginning on or after 1 January 2018, following the decision by the AASB in October 2015 to defer the application date by one year. Earlier adoption is permitted under Australian Accounting Standards. VALUE ACCOUNTS Holdings Limited has adopted the standard from 1 January 2017 (date of initial application).

AASB15(C3)

6. In the first year of applying AASB 15, an entity has two options:
   (a) It can apply the standard retrospectively to each prior reporting period presented (full retrospective method, with restatement of comparatives and third balance sheet where opening balances are affected), or
   (b) It can apply the standard retrospectively by recognising the cumulative effect of initially applying the standard at the date of initial application in retained earnings (simplified transition method, no restatement of comparatives and third balance sheet required).

AASB 15 *Revenue from contracts with customers*

AASB15(C5)

7. An entity that elects to apply the standard using the full retrospective method can apply certain practical expedients:
   (a) For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.
   (b) For completed contracts that have variable consideration, an entity can use hindsight and use the transaction price at the date the contract was completed.
   (c) For all reporting periods presented before the date of initial application (1 January 2017 for VALUE ACCOUNTS Holdings Limited), an entity is not required to disclose the amount of transaction price allocated to the remaining performance obligations and an explanation of when the entity expect to recognise that amount as revenue.

AASB15(C7)

8. Where the entity has chosen the simplified transition method, it shall apply AASB 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2017 for VALUE ACCOUNTS Holdings Limited).

Presentation and description of contract assets and contract liabilities

AASB15(BC320),(BC321)

9. VALUE ACCOUNTS Holdings Limited has decided to reclassify contract assets and contract liabilities and present them as a separate line item in the balance sheet. However, contract assets, contract liabilities and receivables do not have to be referred to as such and do not need to be presented separately in the balance sheet, as long as the entity provides sufficient information so users of financial statements can distinguish them from other items.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

10. The following requirements of AASB 15 are not illustrated in this Appendix:

Initial application

	Issue not illustrated	Relevant disclosures or reference
AASB15(127)-(129),(94)	Costs incurred to obtain a contract	For assets recognised, provide disclosures as per AASB 15 paragraphs 127 and 128. Where no asset is recognised because the period of amortisation is one year or less, disclose that fact.
AASB15(119)(e)	Information about warranties and related obligations	This information is provided in note 8(h) in the main body of this publication.
AASB15(C6)	Full retrospective method: practical expedients used (see paragraph 7 above)	Disclose which expedients have been used and, to the extent reasonably possible, provide a qualitative assessment of the estimated effect of applying each expedient. VALUE ACCOUNTS Holdings Limited has only used the practical expedient of AASB 15(C5)(c), see illustrative disclosure on page 331.
AASB15(C8)	Simplified transition method	Disclose the amount by which each financial statement line item is affected by the adoption of the new rules in the current period and explain the reasons for any significant changes.

Appendix J: AASB 16 Leases [1,5,18]

AASB 16 was issued in February 2016. This appendix illustrates the types of disclosures that would be required if our fictional company, VALUE ACCOUNTS Holdings Limited, decided to apply AASB 16 for its reporting period ending 31 December 2017. Other circumstances might require additional disclosures that are not applicable to VALUE ACCOUNTS Holdings Limited. These are explained in the commentary at the end of this document. In addition, if a company wishes to adopt AASB 16 early, it must also apply AASB 15 at the same time. Please refer to Appendix F for an illustration of the possible impact and associated disclosures.

The disclosures in this document must be read in the context of the assumptions set out below. Different facts and circumstances could result in different measurements and classifications. Footnote references point to additional commentary at the end of this document.

Assumptions made

In compiling these illustrative disclosures, we have made the following assumptions:

- VALUE ACCOUNTS Holdings Limited has applied AASB 16 for the first time in the 2017 financial report (initial application date: 1 January 2017) and has chosen to adopt the new rules retrospectively as of 1 January 2017 (ie limited retrospective application) as permitted under AASB 16 (C5)(b)). As a consequence, a third balance sheet is not required in the year of adoption.
- VALUE ACCOUNTS Holdings Limited has used the practical expedients in paragraph C3 and has not reassessed whether a contract is, or contains, a lease if the contract was entered into before 1 January 2017.
- The adoption of AASB 16 required changes in the group's accounting policies and affected the recognition, measurement and presentation of certain amounts recognised in the statement of profit or loss and the balance sheet. See note 26 for explanations.
- VALUE ACCOUNTS Holdings Limited has chosen to present the right-of-use assets as part of property, plant and equipment and the lease liabilities as other liabilities in the balance sheet. The related detailed information is provided in one single note.
- The primary financial statements reproduced below only show those line items that will be affected by the implementation of AASB 16.
- Disclosures required under other standards are not illustrated (eg disclosures for property, plant equipment in accordance with AASB 116 *Property, Plant and Equipment* and for financial instruments under AASB 7 *Financial Instruments: Disclosures*). Deferred tax consequences arising as a result of the adoption of the new rules have also been ignored.
- VALUE ACCOUNTS Holdings Limited does not have any rights-of-use assets that would meet the definition of investment property.
- VALUE ACCOUNTS Holdings Limited does not have any finance leases as lessor. None of the new disclosures that apply to lessors are therefore relevant and have been illustrated. The existing disclosures provided in relation to the operating leases of VALUE ACCOUNTS Holdings Limited as lessor in note 8(b) in the main body of this publication are generally also sufficient under AASB 16, except that any lease income relating to variable lease payments that do not depend on an index or rate would have to be separately disclosed under AASB 16.

AASB101(10)(b),(10A)

Consolidated statement of profit or loss (extract)

AASB101(51)(c),(e)
AASB101(113)

		Notes	2017 CU'000	2016 CU'000
	Continuing operations			
	Depreciation and amortisation	8(a),8(c)	**xxx**	-
	Operating leases		**-**	xxx
	Other		**xxx**	-
AASB101(82)(b)	Finance costs [6]	5(d)	**xxx**	-

AASB101(10)(a),(54)

Consolidated balance sheet (extract)

AASB101(51)(c),(e)
AASB101(113)

		Notes	2017 CU'000	2016 CU'000
	ASSETS			
AASB101(60),(66)	**Non-current assets**			
AASB101(54)(a)	Property, plant and equipment [2,3]	8(a),8(x)	**xxx**	-
AASB101(60),(69)	**Non-current liabilities**			
AASB101(54)(k)	Other liabilities [2,4]		**xxx**	-
AASB101(60),(69)	**Current liabilities**			
AASB101(54)(k)	Other liabilities [2,4]		**xxx**	-

AASB101(10)(c),(106)

Consolidated statement of changes in equity (extract)

			Attributable to owners of VALUE ACCOUNTS Holdings Limited						
		Notes	Share capital and premium CU'000	Other equity CU'000	Other reserves CU'000	Retained earnings CU'000	Total CU'000	Non-controlling interests CU'000	Total equity CU'000
AASB101(106)(d)	**Balance at 31 December 2016**		63,976	(550)	11,566	36,561	111,553	5,689	117,242
AASB101(106)(b)	Adjustment on adoption of AASB 16 (net of tax)	26	-	-	-	xx	xx	-	xx
	Restated total equity at 1 January 2017		**63,976**	**(550)**	**11,566**	**xx,xxx**	**xx,xxx**	**5,689**	**xxx,xxx**

AASB101(10)(d)
AASB107(1),(10)

Consolidated statement of cash flows (extract) [7]

AASB101(113)

		Notes	2017 CU'000	2016 CU'000
AASB107(10),(18)(a)	**Cash flows from operating activities**			
	Operating lease payments *		**-**	xxx
	Payments for short-term and low value leases *		**xxx**	-
AASB107(31)-(33)	Interest paid		**xxx**	xxx
AASB107(10),(21)	**Cash flows from financing activities**			
AASB107(17)(e)	Finance lease payments		**-**	xxx
	Lease payments		**xxx**	-

* These payments will generally not be shown separately, but included in payments to suppliers and employees (direct method of cash flow presentation) or cash generated from operations (indirect method).

8 Non-financial assets and liabilities

8(x) Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

		Notes	2017 CU'000	2016 CU'000
AASB16(47)(a)	**Right-of-use assets * [2,3,9,10]**			
AASB16(53)(j)	Properties		**xx,xxx**	-
AASB16(53)(j)	Equipment		**xx,xxx**	-
AASB16(53)(j)	Cars		**xx,xxx**	-
AASB16(53)(j)	Others		**xx,xxx**	-
			xx,xxx	-

AASB16(47)(a)(ii) * included in the line item 'Property, plant and equipment' in the balance sheet

		Notes	2017 CU'000	2016 CU'000
AASB16(47)b)	**Lease liabilities ** [2,4]**			
	Current		**xx,xxx**	-
	Non-current		**xx,xxx**	-
			xx,xxx	-

** included in the line item 'other liabilities' in the balance sheet. In the previous year, the group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases.* These were presented as part of the group's borrowings. For adjustments recognised on adoption of AASB 16 on 1 January 2017, please refer to note 26. [4]

AASB16(53)(h) Additions to the right-of-use assets during the 2017 financial year were CUxx,xxx,000.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

		Notes	2017 CU'000	2016 CU'000
AASB16(53)(a)	**Depreciation charge of right-of-use assets**			
	Properties		**(x,xxx)**	-
	Equipment		**(x,xxx)**	-
	Cars		**(x,xxx)**	-
	Others		**(x,xxx)**	-
		5(c)*	**(x,xxx)**	-
AASB16(53)(b)	Interest expense (included in finance cost)	5(d)*	**(xxx)**	-
AASB16(53)(c)	Expense relating to short-term leases (included in other expenses)	5(c)*	**(xxx)**	-
AASB16(53)(d)	Expense relating to leases of low-value assets that are not short-term leases (included in other expenses)	5(c)*	**(xxx)**	-
AASB16(53)(e)	Expense relating to variable lease payments not included in lease liabilities (included in other expenses)	5(c)*	**(xxx)**	-

* See the main body of this publication for these note disclosures.

AASB16(53)(g) The total cash outflow for leases in 2017 was CUxx,xxx,000.

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

AASB16(59)(a),(c) The group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of x to xx years. 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, but leased assets may not be used as security for borrowing purposes.

AASB101(117) Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

8(x) Leases

AASB101(117)

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
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

AASB101(117)

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(60)

Payments associated with short-term leases and 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. Low-value assets comprise IT-equipment and small items of office furniture.

(iv) Variable lease payments

Estimation uncertainty arising from variable lease payments

AASB16(59)(b)(i),(B49)

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 5% increase in sales across all stores in the group with such variable lease contracts would increase total lease payments by approximately x.x to x.x %.

(v) Extension and termination options

AASB16(59)(b)(ii),(B50)

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Critical judgements in determining the lease term

AASB16(59)(b)(ii),(B50)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of CUxx,000.

(vi) Residual value guarantees

AASB16(59)(b)(iii),(B51)

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases.

Estimating the amount payable under residual value guarantees

AASB16(59)(b)(iii),(B51)

The group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period. At the end of reporting period, residual value guarantees included in the lease liabilities amounted to CUxxx,000 (2016 – CUxxx,000).

12 Financial risk management (extract)

12(d) Liquidity risk (extract) [8]

AASB7(39)(b),(c),(B11)

Contractual maturities of financial liabilities At 31 December 2017	Less than 6 months CU'000	6 – 12 months CU'000	Between 1 and 2 years CU'000	Between 2 and 5 years CU'000	Over 5 years CU'000	Total contractual cash flows CU'000	Carrying amount (assets)/ liabilities CU'000
AASB16(58) Lease liabilities	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**

AASB101(117)

25 Summary of significant accounting policies (extract)

AASB101(112)(a),(117)

25(a) Basis of preparation (extract)

(iii) New and amended standards adopted by the group

AASB108(28)(b),(d)
AASB16(C5)(b),(C7)

The group has elected to apply AASB 16 *Leases*. In accordance with the transition provisions in AASB 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2017. Comparatives for the 2016 financial year have not been restated. See note 26 below for further details on the impact of the change in accounting policy.

AASB101(119)

25(h) Leases (extracts)

As explained in note 25(a) above, the group has changed its accounting policy for leases. The new policy is described in note 8(x) and the impact of the change in note 26.

Until the 2016 financial year, leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases (note 8(a)). [See previous policy 25(h) in the main body of this publication for remainder of the text.]

26 Changes in accounting policies [11-17]

AASB108(28)(a)-(d)
AASB16(C5)(b),(C7)

As indicated in note 25(a) above, the group has adopted AASB 16 *Leases* retrospectively from 1 January 2017, as permitted under the specific transition provisions in the standard. Comparatives for the 2016 financial year have therefore not been restated.

AASB16(C8),(C12)(a)

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases.* These liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as of 1 January 2017. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2017 was xx.x%.

AASB16(C12)(b)

	2017 CU'000
Operating lease commitments disclosed as at 31 December 2016	x,xxx
Discounted using the group's incremental borrowing rate of xx.x%	x,xxx
Add: finance lease liabilities recognised as at 31 December 2016	x,xxx
(Less): short-term leases recognised on a straight-line basis as expense	(xxx)
(Less): low-value leases recognised on a straight-line basis as expense	(xxx)
(Less): contracts reassessed as service agreements	(xxx)
Add/(less): adjustments as a result of a different treatment of extension and termination options	xx
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	xx
Lease liability recognised as at 1 January 2017	**x,xxx**

AASB16(C8)(b)(ii)

The associated rights-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2016. Property, plant and equipment increased by CUx,xxx,000 on 1 January 2017, prepayments reduced by CUxxx,000 and trade and other payables by CUxxx,000. The net impact on retained earnings on 1 January 2017 was CUxxx,000. [16]

26 Changes in accounting policies

AASB16(C13),(C10) In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard: [17]

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2017 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

AASB 16 *Leases*

Objectives of disclosures

AASB16(51) 1. The objective of the disclosures is for lessees to disclose information in the notes that, together with the information provided in the balance sheet, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

Presentation

AASB16(47) 2. Rights-of-use assets and lease liabilities must be presented separately from other assets and liabilities, but this can be done in the notes.

3. For the purpose of presentation in the balance sheet, rights-of-use assets can be included within the same line item as that within which the corresponding underlying assets would be presented if they were owned, or in a separate line item. If rights-of-use assets and lease liabilities are not presented as separate line items in the balance sheet, the notes must identify the line items which include these assets and liabilities.

4. While VALUE ACCOUNTS Holdings Limited has decided to reclassify lease liabilities from borrowings to other liabilities, this is not required under the standard and different presentations may be equally appropriate.

AASB16(48) 5. Rights-of-use assets that meet the definition of investment property must be presented in the balance sheet as investment property.

AASB16(49) 6. Interest expense on lease liabilities must be presented as a component of finance cost in the statement of profit or loss and other comprehensive income.

AASB16(50) 7. Cash flows relating to leases must be presented as follows
   (b) cash payments for the principal portion of the lease liabilities as cash flows from financing activities
   (c) cash payments for the interest portion consistent with presentation of interest payments chosen by the group (see the commentary in relation to presentation of interest in the statement of cash flows in the main body of this publication on page 64), and
   (d) 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.

AASB16(58) 8. Lease liabilities must be disclosed separately in the disclosure of maturities of financial liabilities that is required under AASB 7 paragraphs 39 and B11.

Rights-of-use assets

9. Where rights-of-use assets are presented together with other items of property, plant and equipment, entities, will need to consider how this affects the relevant disclosures (note 8(a) in the main body of this publication). Depending on materiality, rights-of-use assets may need to be disclosed as a separate class of assets in the reconciliation that is required under AASB 116 *Property, Plant and Equipment*.

10. Where an entity elects to present rights-of-use assets as separate line items in the balance sheet, the disclosures in AASB 116 do not apply and the illustrative disclosures provided in note 8(x) in this appendix would be sufficient. However, if the entity has significant amounts of rights-of-use assets, readers of the financial statements might find it useful if the entity provides the information set out in note 8(x)(i) and (ii) in form of reconciliations from opening to closing balances for the rights-of-use assets and lease liabilities.

AASB 16 *Leases*

Transition

AASB16(C1)
11. AASB 16 is effective for reporting periods beginning on or after 1 January 2019. Earlier application is permitted, but only in conjunction with AASB 15 *Revenue from Contracts with Customers.*

AASB16(C3)
12. As practical expedient, entities can elect to apply the new guidance regarding the definition of a lease only to contracts entered into (or changed) on or after the date of initial application. Existing lease contracts will not need to be reassessed. However, this expedient must be consistently applied to all contracts.

AASB16(C9),(C10)
13. Other transition exemptions are available for leases with a remaining term of 12 months or less and for low value assets (both on a lease-by-lease basis).

AASB16(C5)(b),(C6)
14. The standard further permits the use of a simplified transition approach which is outlined below. Full retrospective application is optional, but if chosen must be applied to all leases. Selective application of the simplified transition approach is not permitted.

15. Where a lessee applies the simplified approach, it does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application.

AASB16(C8)

Balance sheet item	Measurement
Leases previously classified as operating leases	
Lease liability	Present value of remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application
Right-of-use asset	Retrospective calculation, using a discount rate based on the lessee's incremental borrowing rate at the date of initial application. Or Amount of lease liability (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease). *Lessees can choose one of the alternatives on a lease-by-lease basis.*
Leases previously classified as finance leases	
Lease liability	Carrying amount of the lease liability immediately before the date of initial application.
Right-of-use asset	Carrying amount of the lease asset immediately before the date of initial application.

AASB16(C11)

AASB16(C12)
16. Entities that apply the simplified approach are not required to disclose the impact of the adoption of the standard on the individual line items of the financial statements that are affected. Having said that, we recommend disclosing the adjustments recognised on the date of initial application at least in the narrative explanations provided.

AASB16(C13),(C10)
17. Entities must disclose if they have applied any of the following practical expedients:
    (e) applying a single discount rate to a portfolio of leases with similar characteristics
    (f) relying on previous assessment of whether a lease is onerous
    (g) accounting for leases which end within 12 months of the date of initial application as short-term leases
    (h) excluding initial direct costs from the measurement of the right-of-use asset, and
    (i) using hindsight, eg in determining the lease term where the contract includes extension or termination options.

AASB 16 *Leases*

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

18. The following requirements of AASB 16 are not illustrated in this Appendix:

	Issue not illustrated	Relevant disclosures or reference
AASB16(53)(i),(59)(d),(B52)	Sale and leaseback transactions	Disclose gain or loss separately in the notes and consider additional information set out in paragraph B52 of the standard.
AASB16(53)(f)	Sub-leasing of rights of use assets	Disclose income from sub-leasing.
AASB16(55)	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 lease commitments for short-term leases accounted recognised as expenses on a straight-line basis.
AASB16(56)	Rights-of-use assets that meet the definition of investment property	Apply the disclosure requirements of AASB 140 *Investment Property*. Lessees are not required to disclose the depreciation charge, income from sub-leasing, additions and the carrying amount by class of underlying asset at the end of the reporting period in relation to these assets.
AASB16(57)	Rights-of-use assets are measured at revalued amount under AASB 116.	Provide the disclosures required by paragraph 77 of AASB 16 in relation to those assets.
AASB16(59)(b)(iv)	Leases not yet commenced to which the lessee is committed	Provide information about the future cash outflows to which the lessee is potentially exposed.
AAB16(59)(c)	Leases which impose restrictions or covenants	Disclose details of these restrictions or covenants.
AASB16(C10)(b)	Use of practical expedient on transition to AASB 16 in relation to onerous leases	Disclose the fact that this exception has been applied.
AASB16(89)-(97)	The entity is a lessor	Provide information which allows users of the financial statements to assess the effect that leases have on the lessor's financial position, financial performance and cash flows. For finance leases: • selling profit or loss • finance income on the net investment in the lease • income relating to variable lease payments not included in the measurement of the net investment • qualitative and quantitative explanation of significant changes in the carrying amount of the net investment in the lease, and • maturity analysis of lease payments receivable for a minimum of each of the first five years plus a total amount for the remaining years; reconciliation to the net investment in the lease.

AASB 16 *Leases*

The entity is a lessor	For operating leases: • lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate • maturity analysis of lease payments for a minimum of each of the first five years plus a total amount for the remaining years • for items of property, plant and equipment that are subject to an operating lease, the disclosures required by AASB 16 separately for the assets subject to an operating lease and for those that are held and used by the lessor, and • where applicable, the disclosure required by AASB 136, AASB 138, AASB 140 and AASB 141. Qualitative disclosures for all leases about: • the nature of the entity's leasing activities, and • the management of the risks associated with any rights retained in the underlying assets.

Appendix K: Abbreviations

Abbreviations used in this publication are set out below.

AASB	Australian Accounting Standards Board
AASB (Number)	Accounting Standards issued by the AASB
AASB (Number)R	Revised accounting standard – not yet operative
AASB-I (Number)	Interpretations issued by the AASB
ABN	Australian Business Number
ACN	Australian Company Number
ACNC (Number)	*Australian Charities and Not-for-profits Commission Act 2012*
ADI	Authorised Deposit-taking Institution
AfS	Available-for-sale (financial assets)
AFSL	Australian Financial Services Licence
AGM	Annual General Meeting
AGS	Auditing Guidance Statements
AIFRS	Australian equivalents to International Financial Reporting Standards
APES	Standards issued by the Accounting Professional & Ethical Standards Board (APESB)
APS	Miscellaneous Professional Statements
ASA	Auditing Standards issued by the AUASB under the *Corporations Act 2001*
ASIC	Australian Securities and Investments Commission
ASIC Act	*Australian Securities and Investments Commission Act 2001*
ASIC CP	ASIC Consultation Paper
ASIC IR	ASIC Information Releases
ASIC RG	ASIC Regulatory Guide
ASIC (Number)	ASIC Class Orders and Legislative Instruments (since 2015)
ASX	ASX Limited, trading as Australian Securities Exchange
ASX (Number)	ASX Listing Rules
AUASB	Auditing and Assurance Standards Board
bps	basis points
CA	*Corporations Act 2001*
CAANZ	Chartered Accountants in Australia and New Zealand
CGC (Number)	ASX Corporate Governance Council - Principles of Good Corporate Governance and Best Practice Recommendations
CGS	Corporate Governance Statement
CGPR	(ASX) Corporate Governance Best Practice Recommendations
CGU	Cash-Generating Unit
CODM	Chief operating decision maker
CPA	CPA Australia
CR	*Corporations Regulations 2001*
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)
FVLCOD	Fair value less cost of disposal
FVOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVPL	(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
IAS	International Accounting Standards
IASB	International Accounting Standards Board
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
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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