Example Simplified Disclosures

Guide to annual reports

December 2021

www.kpmg.com/au/gpfs

Example Simplified Disclosures Proprietary Limited 30 June 2022

A single Simplified Disclosures standard to replace Reduced Disclosure Requirements

AASB 1053 *Application of Tiers of Australian Accounting Standards* requires preparers to assess whether the entity is publicly accountable to determine if it qualifies for the preparation of Tier 2 general purpose financial statements under the differential reporting regime.

AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, replaces the current suite of Reduced Disclosure Requirements (RDR) disclosures. AASB 1060 is a new single general purpose financial statements (GPFS)-Tier 2 Simplified Disclosures (SD) standard. It is principally based on the disclosures included in the *IFRS for SMEs® Standard*, with some adjustment for the Australian context. It will apply to all entities (both for-profit and not-for-profit) preparing financial statements under Tier 2, both those currently reporting under the existing RDR framework and those that will be required to stop preparing special purpose financial statements (SPFS) and be required to prepare GPFS.

AASB 1060 works in conjunction with AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* – the Australian Accounting Standard (AAS) that removed the ability of certain for-profit private sector entities to prepare SPFS.

Key features

- Entities preparing GPFS-Tier 2 SD must comply with all recognition and measurement (R&M) requirements of AAS, i.e. there is no impact on existing R&M requirements of AAS.
- AASB 1060 is a single standard containing all the required disclosures for an entity preparing GPFS-Tier 2 SD. This means that those AAS only dealing with presentation and disclosure (including AASB 7 *Financial Instruments: Disclosures*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AASB 124 *Related Party Disclosures*) have been incorporated into AASB 1060 – but without all the additional guidance contained in those standards. AASB 1060 instructs entities to refer to these presentation and disclosure standards for guidance when needed.
- Entities that comply with AASB 1060 are exempt from the disclosure requirements in specified paragraphs in other AAS.
- There is an option – where specific conditions are met – for an entity not to present a statement of changes in equity, which if elected would result in a presentation difference to GPFS-Tier 1.
- The Standard applies whether consolidated or separate financial statements are presented.

While AASB 1060 includes certain presentation requirements, these do not result in presentations or classifications that are different to those required for Tier 1 entities. The only exceptions are:

- the option not to include a separate statement of changes in equity in certain circumstances; and
- no requirement to separate the share of other comprehensive income of associates and joint ventures accounted for by the equity method between items that will not be reclassified subsequently to profit or loss, and those that will.

Effective date and transition

AASB 1060, together with AASB 2020-2 apply for financial reporting periods beginning on or after 1 July 2021.Both standards need to be applied at the same time. Comparative disclosures are required for all disclosures.

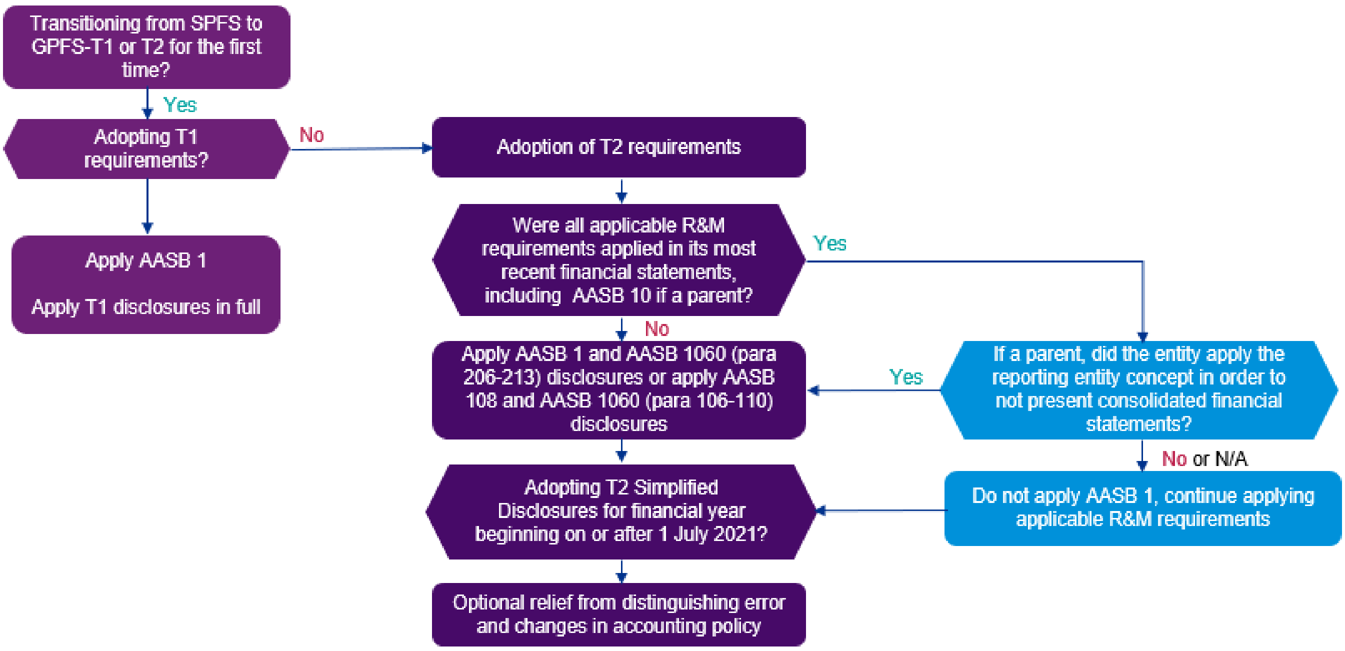
The table below sets out the available transitional relief for entities applying the standards for the first time in years beginning on or after 1 July 2021.

Transitional relief	Apply for financial year beginning on or after 1 July 2021
Correction of errors	✓
Application of AASB 1:	
• Not apply all R&M	✓
• Consolidation/equity accounting	✓

The transition provisions are included in the amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards*. An entity need not apply the transitional relief – in which case it will apply a fully retrospective transition in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Transitional relief explained

The transitional provisions explained below must be considered in the context of the table above. The flow diagram below illustrates the transitional relief available depending on an entity's circumstances.



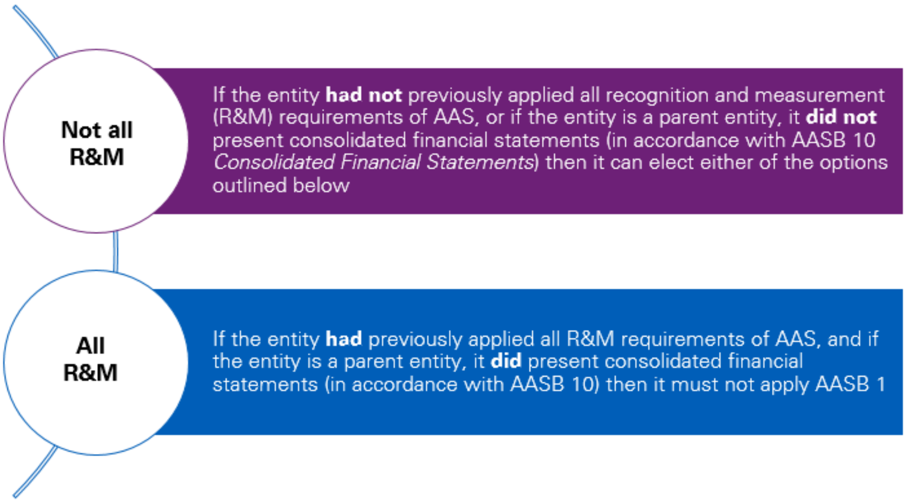
Correction of errors

For entities moving from SPFS and applying GPFS-Tier 2 SD reporting requirements for the first time there is no requirement to distinguish between the correction of errors and changes in accounting policies if the entity becomes aware of errors made in its most recent previous SPFS.

This means that an entity that discovered an error in its previous SPFS does not need to separately address this in its first GPFS-Tier 2 SD financial statements and is able to apply the transitional relief in AASB 1 *First-time Adoption of Australian Accounting Standards* or elect to apply AASB 108 (i.e. fully retrospectively).

Application of AASB 1

When applying GPFS-Tier 2 SD reporting requirements for the first time (i.e. the entity prepared its most recent previous financial statements in the form of SPFS):



Options – Not all R&M

The entity applies either:

- all relevant requirements of AASB 1 (i.e. provides some relief from full retrospective application), or
- GPFS-Tier 2 SD reporting requirements directly using the requirements of AASB 108 (i.e. full retrospective application).

All R&M

For entities preparing SPFS that are already complying with the R&M requirements in AAS, and consolidating subsidiaries and equity accounting investments in associates and joint ventures (if applicable), the transition from SPFS to GPFS-Tier 2 SD will be limited to the provision of additional disclosures.

Transition from GPFS-Tier 2 RDR to GPFS-Tier 2 SD

While applying GPFS-Tier 2 RDR all R&M requirements will have been complied with – as such if an entity transitions from GPFS-Tier 2 RDR to GPFS-Tier 2 SD, neither AASB 1 nor AASB 108 have to be applied as there will not be any adjustments.

What will change are the disclosures in the first GPFS-Tier 2 SD financial statements – they will need to align to AASB 1060.

Further resources

The following resources provide further details and discussion on the changes to the Australian Financial Reporting Framework, and the transition to GPFS-Tier 2 SD:

- 20RU-006 Farewell SPFS… Welcome Simplified Disclosures
- KPMG's Australian Financial Reporting Framework webpage
- Transition publication: moving from SPFS to GPFS – coming soon
- Webinar: The impacts of the new Australian financial reporting framework

How to use Example Simplified Disclosures Proprietary Limited 30 June 2022

The purpose of *Example Simplified Disclosures Proprietary Limited* is to assist in the preparation of an entity's annual financial report in accordance with Australian Accounting Standards – Simplified Disclosures, and that also meet statutory requirements under the *Corporations Act 2001* for **financial years ending on or after 30 June 2022**. Example Simplified Disclosures Proprietary Limited is a for-profit entity preparing consolidated financial statements.

In addition, Example Simplified Disclosures Proprietary Limited is adopting AASB 1060 for the first time, applying GPFS-Tier 2 SD, having previously applied GPFS-Tier 2 RDR. Appendix 2 provides illustrative disclosures for a for-profit entity adopting GPFS-Tier 2 SD for the first time having prepared special purpose financial statements in its most recent financial statements. Appendix 2 includes disclosures where neither consolidation nor equity accounting was previously applied and the entity applies AASB 1 *First-time Adoption of Australian Accounting Standards* on transition to GPFS-Tier 2 SD.

This publication illustrates **one possible format** for Tier 2 statutory general purpose financial statements, based on a fictitious corporation **involved in general business**. Accordingly, a number of notes are not applicable to *Example Simplified Disclosures Proprietary Limited* and have not been included in the main body of the financial report. However, Appendix 3 includes illustrations of additional notes if they were to be prepared under Tier 2 requirements.

This publication should not be used as a boiler plate template. The preparation of financial statements requires judgement, in terms of the choice of accounting policies, how the disclosures should be tailored to reflect the entity's specific circumstances, and the materiality of disclosures in the context of the entity.

This publication reflects Australian Accounting Standards – Simplified Disclosures on issue as at 31 August 2021 that must be applied by an entity with an annual period **beginning** on 1 July 2021 ("currently effective" requirements), including AASB 2020-2 and AASB 1060. All other Australian Accounting Standards that are effective for annual periods beginning on or after 1 July 2022 ("forthcoming" requirements) have not been early adopted.

Example Simplified Disclosures Proprietary Limited

30 June 2022

Directors' report

For the year ended 30 June 2022

S292(1), S298(1), S299(2)

The directors present their report together with the consolidated financial statements of the Group comprising Example Simplified Disclosures Proprietary Limited (the Company), and its subsidiaries for the financial year ended 30 June 2022 and the auditor's report thereon.

S300(1)(c)

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

[Director_name]	Appointed [date] and if applicable resigned [date]
[Director_name]	Appointed [date] and if applicable resigned [date]
[Director_name]	Appointed [date] and if applicable resigned [date]
[Director_name]	Appointed [date] and if applicable resigned [date]

S300(1)(ca)
S9

2. Officers who were previously partners of the audit firm

The following persons were officers of the Company during the financial year and were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Group:

[insert names if applicable]

S299(1)(f)
RG68

3. Environmental regulation

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its [insert details if relevant].

S299(1)(c)

4. Principal activities

The principal activities of the Group during the course of the financial year were the manufacture and sale of paper and paper-related products.

There were no other significant changes in the nature of the activities of the Group during the year.

Objectives

The Group's objectives are to:

[insert details].

S299(1)(a)
RG230

5. Review of operations and results of those operations

Overview of the Group

These consolidated financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. In the prior year, the consolidated financial statements were general purpose financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements.

There was no impact on the amounts recognised, measured and classified in the statements of financial position, financial performance and cash flows of the Group as a result of the change in basis of preparation.[a]

[insert details]

Review of [insert details]

Products

[Insert details]

Market

[Insert details]

Operating results

[Insert details]

Commentary on operating results

[Insert details]

Strategy and future performance

[Insert details]

S299(1)(b)

6. Significant changes in the state of affairs

In August 2021, the Group sold its entire packaging line of business. The Group was committed to a plan to sell this division due to a strategic decision to change the direction of the Group in late 2021.

On 30 September 2021, the Group acquired 75% of the shares and voting interests in Papyrus for a total cash consideration of $2,935 thousand. As a result, the Group's equity interest in Papyrus increased from 25 to 100%, granting it control of Papyrus.

Taking control of Papyrus will enable the Group to modernise its production process through access to Papyrus's patented technology. The acquisition is also expected to provide the Group with an increased share of the standard paper market through access to Papyrus's customer base. The Group also expects to reduce costs through economies of scale.

In 2022, a majority of the Company's shares were acquired by Cameron Paper Co from Brown Products Corporation. As a result, the new ultimate controlling party of the Group is AJ Pennypacker. The previous ultimate controlling party was Sigma Australia Investment Holdings.

a. Directors are not required to make this disclosure in the Directors' report, but may choose to do so.

S300(1)(a)-(b)

7. Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $000	Date of payment
Declared and paid during the year 2022			
Final 2021 ordinary	25.97	**805**	[ ]
Final 2021 preference	25.03	**438**	[ ]
Total amount		**1,243**	

Declared after end of year

After the reporting date the following dividends were proposed by the directors. The dividends have not been provided and there are no income tax consequences.

	Cents per share	Total amount $000	Date of payment
Final ordinary	27.97	**892**	[ ]
Final preference	25.03	**438**	[ ]
Total amount		**1,330**	

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

Preference shares are classified as a liability and distributions paid are recognised as interest expense.

Dividends have been dealt with in the financial report as:

	Note	Total amount $000
- Dividends		1,243
- Interest expense	20	51
- Noted as a subsequent event		1,330

S299(1)(d)

8. Events subsequent to reporting date

At the end of July 2022, the Group announced its intention to implement a cost-reduction programme and to take further measures to reduce costs. Additionally, to enable the Group to adapt its size to current market conditions, it intends to reduce the Group's workforce by 400 positions worldwide by the end of 2022/23, by means of non-replacement whenever possible. The Group expects the restructuring associated with the reduction in positions to cost between $600 thousand and $850 thousand in 2023 and 2024.

Subsequent to 30 June 2022, one of the Group's major trade customers went into liquidation following a natural disaster in August 2022 that damaged its operating plant. Of the $100 thousand owed by the customer, the Group expects to recover less than $10 thousand. No additional allowance for impairment has been made in these consolidated financial statements.

On 10 July 2022, one of the premises of the Group's material subsidiary, having a carrying amount of $220 thousand, was seriously damaged by fire. Surveyors are in the process of assessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance company. The Group is unable to estimate the incremental costs relating to refurbishment and temporary shift of production to other locations (in excess of the reimbursement expected).

As reported in the condensed interim financial statements on 22 January 2022, the Group announced its intention to acquire all of the shares of ABC Company for $6,500 thousand. On 4 July 2022, the Group's shareholders approved the transaction and the Group is now awaiting approval from regulatory authorities before proceeding with the acquisition. Management anticipates that this approval will be received by October 2022.

Subsequent to 30 June 2022, the loan covenant maximum leverage ratio (calculated as debt to quarterly revenue for continuing operations) related to a secured bank loan was revised from 2.5 to 3.5 times.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

S299(1)(e)
S299(3)

9. Likely developments

The Group will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year. This will require further investment in areas such as manufacturing and sale of paper, which have performed well over recent years and offer sound opportunities for future development.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

S608, S609, RG 5
S300(1)(d)-(f)
S300(5)-(7)

10. Directors' interests and share options

[This heading and associated disclosure is not necessary if directors do not have interests in the company and there are no options on issue. Refer to sections 11 and 12 of the Directors' Report in *Example Public Company Limited – Illustrative disclosures 2021-22* for example disclosures if relevant].

S300(1)(g), (8)-(9)
S199A-199B

11. Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Group.

Insurance premiums

During the financial year the Company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2022 and since the financial year, the Company has paid premiums in respect of such insurance contracts for the year ending 30 June 2022. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Group.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

S298(1A)

12. True and fair view

[Details of the directors' reasons for disclosing the additional information and reference to where this information is disclosed should be inserted here, when applicable].

S300(14)-(15)

13. Proceedings on behalf of the Company

[Details of any proceedings should be inserted here, when applicable].

S307C

14. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page [xxx] and forms part of the directors' report for the financial year ended 30 June 2022.

ASIC Instrument 2016/191

15. Rounding off

[[Include if relevant] The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.]

This report is made out in accordance with a resolution of the directors:

____

[Director_name]

Dated at .... [City] this .... day of 2022

AASB 1060.25(a), 30

Consolidated statement of financial position[a,b]

AASB 1060.20-21, 28-29, 31(c)-(d), 36, 42, 92

Reference	*In thousands of dollars*	Note	30 June 2022	30 June 2021
	Assets			
AASB 1060.35(a)	Cash and cash equivalents	13	**1,504**	1,849
AASB 1060.35(b), 44(b)	Trade and other receivables	12	**34,119**	24,307
AASB 1060.35(c)	Other financial assets	18	**662**	1,032
AASB 1060.35(d)	Inventories	11	**12,148**	12,119
AASB 1060.35(m)	Current tax assets		**34**	60
AASB 1060.35(r), AASB 5.38, 40,	Assets held for sale	14	**14,400**	-
AASB 1060.37	**Current assets**		**62,867**	39,367
AASB 1060.35(c)	Other financial assets	18	**2,672**	2,497
AASB 1060.35(e)	Property, plant and equipment[c]	15	**29,090**	33,230
AASB 1060.35(g)	Intangible assets	16	**6,226**	4,661
AASB 1060.35(i), 125(b)	Investments in associates	17	**272**	900
AASB 1060.35(n)	Deferred tax assets	10	**1,987**	1,954
AASB 1060.37	**Non-current assets**		**40,247**	43,242
	Total assets		**103,114**	82,609
	Liabilities			
	Bank overdraft	13	**334**	282
AASB 1060.35(k)	Trade and other payables	21	**23,976**	21,708
AASB 1060.35(l)	Other financial liabilities	20	**2,283**	5,546
AASB 1060.35(m)	Current tax liabilities		**4,751**	1,693
AASB 1060.35(o)	Provisions	23	**680**	1,548
AASB 1060.35(s), AASB 5.38, 40	Liabilities held for sale	14	**4,410**	-
AASB 1060.37	**Current liabilities**		**36,434**	30,777
AASB 1060.35(k)	Trade and other payables	21	**440**	-
AASB 1060.35(l)	Other financial liabilities	20	**17,622**	9,831
AASB 1060.35(n)	Deferred tax liabilities	10	**251**	337
AASB 1060.35(o)	Provisions	23	**1,197**	173
	Deferred income	22	**1,424**	1,462
AASB 1060.37	**Non-current liabilities**		**20,934**	11,803
	Total liabilities		**57,368**	42,580
	Net assets		**45,746**	40,029
	Equity[d]			
AASB 1060.44(f)	Share capital		**19,600**	18,050
AASB 1060.44(f)	Reserves		**22,424**	12,974
AASB 1060.44(f)	Retained earnings		**3,722**	9,005
AASB 1060.35(q)	**Equity attributable to owners of the Company**	19	**45,746**	40,029

The notes on pages 18 to 67 are an integral part of these consolidated financial statements.

AASB 1060.30, 42-43	**a.**	An entity may also use other titles – e.g. 'balance sheet' – as long as the meaning is clear and the title not misleading. There is no prescribed sequence or format in which items are to be presented in the statement of financial position. Additional line items may be included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position. The descriptions used and the sequencing of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position. The judgement of whether additional line items are presented separately is based on the assessment of the amounts, nature and liquidity of assets and liabilities, and the function of assets within the entity.
AASB 1060.35, 44	**b.**	AASB 1060 sets out the minimum line items to be included in the statement of financial position. Further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations, may be disclosed either in the statement of financial position or in the notes.
AASB 16.47(a)	**c.**	The Group has presented right-of-use assets within 'property, plant and equipment' – i.e. the same line item in which it presents underlying assets of the same nature that it owns. Alternatively, an entity may choose to present right-of-use assets separately in the statement of financial position.
AASB 1060.44(f), 45	**d.**	Although it is not specifically required, the Group has presented in the statement of financial position line items related to classification of equity into share capital, retained earnings and reserves. The Group has presented in the statement of changes in equity and in the notes further information about each class of share capital and each reserve within equity.

AASB 1060.25(b)(i), 30

Consolidated statement of profit or loss and other comprehensive income[a,b,c]

AASB 1060.31(c)

For the year ended 30 June

AASB 1060.20-21, 28-29, 31(d), 49(a), 51, 56, 92

Reference	*In thousands of dollars*	Note	2022	2021*
	Continuing operations			
AASB 1060.52(a)	Revenue	6	**102,400**	96,417
AASB 1060.58(b)	Cost of sales[d]		**(57,461)**	(56,186)
	Gross profit		**44,939**	40,231
	Other income	7(A)	**264**	16
AASB 1060.58(b)	Selling and distribution expenses[d]		**(18,322)**	(15,865)
AASB 1060.58(b)	Administrative expenses[d]		**(17,732)**	(14,428)
AASB 1060.58(b), 139	Research and development expenses[d]		**(1,109)**	(697)
AASB 1060.58(b)	Other expenses	7(B)	**(870)**	(190)
	Operating profit		**7,170**	9,067
	Finance income		**1,034**	369
AASB 1060.52(b)	Finance costs		**(1,867)**	(1,616)
	Net finance costs	8	**(833)**	(1,247)
AASB 1060.52(c)	Share of profit of associates, net of tax	17	**(49)**	315
	Profit before tax		**6,288**	8,135
AASB 1060.52(d), AASB 112.77	Income tax expense	10	**(1,837)**	(2,223)
	Profit from continuing operations		**4,451**	5,912
	Discontinued operation			
AASB 1060.52(e)	Profit (loss) from discontinued operation, net of tax		**379**	(422)
AASB 1060.52(f), 53(a)(ii)	**Profit for the period**		**4,830**	5,490
AASB 1060.51(b)	**Other comprehensive income**			
AASB 1060.52(g)(i)	**Items that will not be reclassified to profit or loss, net of tax[e]**			
			-	-
AASB 1060.52(g)(ii)	**Items that are or will be reclassified to profit or loss when specific conditions are met, net of tax**			
AASB 1060.180(b)	Foreign operations – foreign currency translation differences		**680**	471
AASB 1060.122(c)	Net investment hedge – net loss		**(3)**	(8)
AASB 1060.122(c)	Cash flow hedges – effective portion of changes in fair value		**(19)**	71
AASB 1060.122(d)	Cash flow hedges – reclassified to profit or loss		**(16)**	(6)
AASB 1060.180(b)	Reclassification of foreign currency differences on loss of significant influence		**(20)**	-
			622	528
AASB 1060.52(h)	**Share of OCI of associates[f]**	17	**(159)**	(169)
	Other comprehensive income for the period, net of tax		**463**	359
AASB 1060.52(i), 53(b)(ii)	**Total comprehensive income[g] for the period**		**5,293**	5,849

* Comparative information has been re-presented due to a discontinued operation. See Note 5.

The notes on pages 18 to 67 are an integral part of these consolidated financial statements.

AASB 1060.25(b)	**a.**	The Group has elected to present comprehensive income using a 'single-statement' approach. For an illustration of the alternative 'two-statement' approach, see *Example Public Company Limited: Guide to annual reports – illustrative disclosures 2021-2022 [Appendix 2]*.
AASB 1060.50	**b.**	If an entity changes its presentation of total comprehensive income for the period from the single-statement approach to the two-statement approach, or vice versa, it has to apply AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to a change in accounting policy.
AASB 1060.26	**c.**	If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity. For an illustration of the single statement of income and retained earnings, see Appendix 1.
AASB 1060.58	**d.**	The Group has elected to analyse expenses recognised in profit or loss based on functions within the Group. Alternatively, an entity may present the analysis based on nature if this presentation provides information that is reliable and more relevant. The analysis may also be presented in the notes.
AASB 1060.52(g)(i)	**e.**	No items of OCI that will not be reclassified subsequently to profit or loss have arisen in the current or prior periods. When they arise, an entity presents each such item of OCI classified by nature and group them accordingly. This sub-heading may be omitted where there are no such items.
AASB 1060.52(g)-(h)	**f.**	The share of OCI of associates and joint ventures accounted for under the equity method is not disclosed separately by items that will not subsequently be reclassified to profit or loss and those that will,
AASB 1060.52(i)	**g.**	If an entity has no items of OCI, another term, such as profit or loss, may be used instead of total comprehensive income.

AASB 1060.25(c), 30

Consolidated statement of changes in equity[a]

Reference	In thousands of dollars	Note	Share capital	Translation reserve	Hedging reserve	Profits reserve	Convertible notes	Retained earnings	Total equity
AASB 1060.20-21, 28-29, 31(d), 92									
AASB 1060.61(c)	**Balance at 1 July 2020**		18,050	(119)	399	3,521	-	12,900	34,751
	Total comprehensive income								
AASB 1060.61(c)(i)	Profit for the period		-	-	-		-	5,490	5,490
AASB 1060.61(c)(ii)	OCI for the period		-	297	65		-	(3)	359
AASB 1060.61(a)	**Total comprehensive income for the period**		-	297	65		-	5,487	5,849
	Transactions with owners of the Company								
AASB 1060.61(c)(iii)	**Contributions and distributions**								
	Transfer to profits reserve[b]		-	-	-	9,382	-	(9,382)	-
	Dividends		-	-	-	(571)	-	-	(571)
	Total transactions with owners of the Company		-	-	-	8,811	-	(9,382)	(571)
AASB 1060.61(c)	**Balance at 30 June 2021**		18,050	178	464	12,332	-	9,005	40,029
	Total comprehensive income								
AASB 1060.61(c)(i)	Profit for the period		**-**	**-**	**-**		**-**	**4,830**	**4,830**
AASB 1060.61(c)(ii)	OCI for the period		**-**	**485**	**(35)**		**-**	**13**	**463**
AASB 1060.61(a)	**Total comprehensive income for the period**		**-**	**485**	**(35)**		**-**	**4,843**	**5,293**
	Hedging gains and losses and costs of hedging transferred to the cost of inventory		**-**	**-**	**8**		**-**	**-**	**8**
	Transactions with owners of the Company								
AASB 1060.61(c)(iii)	**Contributions and distributions**								
	Issue of ordinary shares	19(A)	**1,550**	**-**	**-**		**-**	**-**	**1,550**
	Issue of convertible notes	20(C)	**-**	**-**	**-**		**109**	**-**	**109**
	Transfer to profits reserve[a]		**-**	**-**	**-**	**10,126**	**-**	**(10,126)**	**-**
	Dividends		**-**	**-**	**-**	**(1,243)**	**-**	**-**	**(1,243)**
	Total transactions with owners of the Company		**1,550**	**-**	**-**	**8,883**	**109**	**(10,126)**	**416**
AASB 1060.61(c)	**Balance at 30 June 2022**		**19,600**	**663**	**437**	**21,215**	**109**	**3,722**	**45,746**

The notes on pages 18 to 67 are an integral part of these consolidated financial statements.

AASB 1060.26 — a. If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity. Refer to Appendix 1 for the illustrative consolidated statement of income and retained earnings.

Reporting Update 12RU-005 — b. Amounts transferred to the profits reserve characterise profits available for distribution as dividends in future years and reflects the amounts transferred by individuals in the Group and is therefore not necessarily equivalent to the consolidated Group profit for the year.

AASB 1060.25(d), 30

Consolidated statement of cash flows

AASB 1060.31(c)

AASB 1060.20-21, 28-29, 31(d), 66, 92

Reference	*In thousands of dollars*	*Note*	2022	2021
			For the year ended 30 June	
AASB 1060.70(a)	**Cash flows from operating activities[a]**			
	Cash receipts from customers		**94,352**	97,996
	Cash paid to suppliers and employees		**(90,377)**	(94,149)
	Cash generated from operating activities		**3,975**	3,847
AASB 1060.82-83	Interest paid[b, c]		**(1,609)**	(1,289)
AASB 1060.85	Income taxes paid		**(400)**	(1,913)
AASB 1060.71	**Net cash from operating activities**		**1,966**	645
AASB 1060.74, 86	**Cash flows from investing activities**			
AASB 1060.68(a)	Acquisition of property, plant and equipment	15(A)	**(15,657)**	(2,228)
AASB 1060.68(a)	Development expenditure	16(A)	**(1,235)**	(503)
AASB 1060.68(b)	Proceeds from sale of property, plant and equipment		**3,085**	397
	Disposal of discontinued operation, net of cash disposed of		**10,890**	-
AASB 1060.68(c), (g)	Acquisition of other investments		**(359)**	(363)
AASB 1060.68(d), (h)	Proceeds from sale of investments		**1,476**	534
AASB 1060.74	Acquisition of subsidiary, net of cash acquired	26	**(2,560)**	-
AASB 1060.82-83	Interest received[c]		**6**	19
AASB 1060.82-83	Dividends received[c]		**26**	32
	Net cash used in investing activities		**(4,328)**	(2,112)
AASB 1060.74, 86	**Cash flows from financing activities**			
AASB 1060.69(a)	Proceeds from issue of share capital	19(A)	**1,550**	-
AASB 1060.69(c)	Proceeds from issue of convertible notes	20(C)	**5,000**	-
AASB 1060.69(c)	Proceeds from issue of redeemable preference shares	20(D)	**2,000**	-
AASB 1060.69(c)	Proceeds from loans and borrowings		**591**	4,439
	Transaction costs related to loans and borrowings	20(C)–(D)	**(311)**	-
AASB 1060.69(d)	Repayment of borrowings		**(5,055)**	(2,445)
AASB 1060.69(e)	Payment of lease liabilities[b]		**(554)**	(590)
AASB 1060.82, 84	Dividends paid[c]		**(1,243)**	(571)
	Net cash from financing activities		**1,978**	833
	Net decrease in cash and cash equivalents		**(384)**	(634)
AASB 1060.88	Cash and cash equivalents at 1 July*		**1,567**	2,226
AASB 1060.81	Effect of movements in exchange rates on cash held		**(13)**	(25)
AASB 1060.88	**Cash and cash equivalents at 30 June***	13	**1,170**	1,567

AASB 1060.65

* Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

The notes on pages 18 to 67 are an integral part of these consolidated financial statements.

AASB 1060.70	**a.**	The Group has elected to present cash flows from operating activities using the direct method. Alternatively, an entity may present operating cash flows using the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions (see *Example Public Company Limited: Guide to annual reports – illustrative disclosures 2021-2022* for example presentation).
AASB 1060.69(e), AASB 16.50	**b.**	The Group has classified: – cash payments for the principal portion of lease payments as financing activities; – cash payments for the interest portion of lease liabilities as operating activities consistent with the presentation of interest payments chosen by the Group (see footnote (c) below); and – short-term lease payments and payments for leases of low-value assets as operating activities.
AASB 1060.82-84, Insights 2.3.50.10-20	**c.**	AASB 1060 requires cash flows from interest and dividends received and paid to be disclosed separately. In our view, such disclosure is required in the statement of cash flows, rather than in the notes. In the absence of specific guidance in the Standards, an entity chooses an accounting policy, to be applied consistently, for classifying interest and dividends paid as either operating or financing activities, and interest and dividends received as either operating or investing activities. The Group has elected to classify cash flows from interest paid as operating activities, cash flows from interest received and dividends received as investing activities, and cash flows from dividends paid as financing activities. Interest paid includes the interest portion of the lease liabilities. See footnote (b) above.

AASB 1060.25(e), 28-30, 91–94

Notes to the consolidated financial statements[a]

1. Reporting entity

AASB 1060.31(a), 32(a)

Example Proprietary Limited (the 'Company') is domiciled in Australia. The Company's registered office is at [*address*].

AASB 1060.31(b), 104(a)

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

AASB 1060.11(b), 32(b)

The Group is a for-profit entity and is primarily involved in manufacturing paper and paper-related products.

2. Basis of preparation

AASB 1060.10, 11(a), 104(a), Corporations Act 2001 Sect 296-297

These consolidated financial statements are general purpose financial statements for distribution to the members and for the purpose of fulfilling the requirements of the *Corporations Act 2001*. They have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures made by the Australian Accounting Standards Board and the *Corporations Act 2001*.

AASB 1060.208
AASB 1053.E4

These consolidated financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. In the prior year the consolidated financial statements were general purpose financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements. There was no impact on the recognition and measurement of amounts recognised in the statements of financial position, profit and loss and other comprehensive income and cash flows of the Group as a result of the change in the basis of preparation.[b,c]

AASB 1060.186

These consolidated financial statements were authorised for issue by the Company's board of directors on [*date*].

AASB 91(a), 94

Details of the Group's accounting policies are included in Note 35.

3. Functional and presentation currency and rounding

AASB 1060.31(d)-(e), 181, ASIC Instrument 2016/191

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded to the nearest thousand, unless otherwise indicated.[d]

AASB 1060.92–93

a. Notes are presented, to the extent practicable, in a systematic order and are cross-referred to/from items in the primary statements. In determining a systematic manner of presentation, an entity considers the effect on the understandability and comparability of the financial statements. The Group has applied judgement in presenting related information together in a manner that it considers to be most relevant to an understanding of its financial performance and financial position. The order presented is only illustrative and entities need to tailor the organisation of the notes to fit their specific circumstances.

AASB 1060.26

b. While AASB 1060 includes certain presentation requirements, these do not result in presentations or classifications that are different to those required for Tier 1 entities. Entities are permitted to refer to other Standards for guidance on the requirements in AASB 1060. The only exception is the option not to include a separate statement of changes in equity in certain circumstances, as set out below.

If an entity elects to present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity, this should be disclosed. The appropriate wording would be:

"The only changes to equity during the periods for which the financial statements are presented arise from [profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy] [*delete those items that are not applicable*]. In accordance with the options available in the accounting standards, the Group has elected to present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity."

c. Where prior to AASB 1060 all recognition and measurement requirements of Australian Accounting Standards (including consolidation and equity accounting) were not applied, refer to Appendix 2 for disclosures.

ASIC Instrument 2016/191

d. Where an entity applies the rounding relief available in ASIC Instrument 2016/191, certain amounts are required to be rounded to a lower level. ASIC Instrument 2016/191 specifies those amounts with reference to particular disclosure paragraphs in AAS (e.g. AASB 2.50, AASB 124.17). The ASIC Instrument has not been updated for the equivalent paragraphs in AASB 1060 where an entity applies Tier 2 – Simplified Disclosures. This guide applies the requirements in the legislative instrument as if it refers to the corresponding disclosure requirements in AASB 1060.

Notes to the consolidated financial statements (continued)

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

AASB 1060.96

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

– Note 17 – investments in associates: whether the Group has significant influence over an associate;
– Note 27(A) – lease term: whether the Group is reasonably certain to exercise extension options;
– Note 35(D) – revenue recognition: whether revenue from made-to-order paper products is recognised over time or at a point in time.

AASB 1060.97

B. Assumptions and estimation uncertainties[a]

Information about assumptions and estimation uncertainties at 30 June 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

– Note 10(F) – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
– Note 12(B) – measurement of ECL allowances for trade receivables and contract assets: determining loss rates;
– Note 16(C) – impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts; and
– Notes 23 and 29 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

5. Discontinued operation[b]

See accounting policy in Note 35(C).

AASB 1060.91(c)

In August 2021, the Group sold its entire packaging line of business. Management committed to a plan to sell this business in mid-2021, following a strategic decision to place greater focus on the Group's key competencies – i.e. the manufacture of paper used in the printing industry and forestry.

The packaging business was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been re-presented to show the discontinued operation separately from continuing operations.

Subsequent to the disposal, the Group has continued to purchase packaging from the discontinued operation. Although intra-group transactions have been fully eliminated in the consolidated financial results, management has elected to attribute the elimination of transactions between the continuing operations and the discontinued operation before the disposal in a way that reflects the continuance of these transactions subsequent to the disposal, because management believes this is useful to the users of the financial statements.

To achieve this presentation, management has eliminated from the results of the discontinued operation the inter-company sales (and costs thereof, less unrealised profits) made before its disposal. Because purchases from the discontinued operation will continue after the disposal, inter-company purchases made by the continuing operations before the disposal are retained in continuing operations.

AASB 1060.97

a. An entity discloses information about the key assumptions concerning the future, and other key sources of information uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year

b. AASB 1060 only requires the impact of a discontinued operation on the financial performance of the entity to be disclosed. No other specific disclosures are required. The Group has disclosed information relating to the discontinued operation to provide users of the financial statements with an understanding of the transactions that occurred during the financial year.

Notes to the consolidated financial statements (continued)

6. Revenue

See accounting policy in Note 35(D).

The Group generates revenue primarily from sale of paper and provision of forestry services to its customers. Other sources of revenue include immaterial amounts related to hedge accounting and hedging gains.

AASB 1060.157(b)

In the following table, revenue from contracts with customers (excluding revenue related to a discontinued operation) is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.[a]

For the year ended 30 June	**Total**	
In thousands of dollars	**2022**	**2021**
Primary geographical markets		
Australia and New Zealand	**81,903**	78,098
United States	**20,491**	18,323
	102,394	96,421
Major products/service lines		
Standard paper products	**70,855**	66,862
Made-to-order paper products	**23,618**	22,287
Forestry services	**3,967**	3,483
Other	**3,954**	3,789
	102,394	96,421
Timing of revenue recognition		
Products transferred at a point in time	**74,386**	70,205
Products and services transferred over time	**28,008**	26,216
Revenue from contracts with customers	**102,394**	96,421
Other revenue	**6**	(4)
External revenue	**102,400**	96,417

AASB 15.B87–B89

a. The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers.

In determining the appropriate categories, an entity considers how revenue is disaggregated in:
- disclosures presented outside the financial statements;
- information reviewed by the chief operating decision maker for evaluating the financial performance of operating segments; and
- other similar information that is used by the entity or users of the entity's financial statements to evaluate performance or make resource allocation decisions.

Examples of categories that might be appropriate in disclosing disaggregated revenue include, but are not limited to, the following.

Type of category	Example
Type of good or service	Major product lines
Geographic region	Country or region
Market or type of customer	Government and non-government customers
Type of contract	Fixed-price and time-and-materials contracts
Contract duration	Short-term and long-term contracts
Timing of transfer of goods or services	Goods or services transferred to customers: – at a point in time – over time
Sales channels	Goods or services sold: – directly to consumers – through intermediaries

Notes to the consolidated financial statements (continued)

7. Income and expenses[a]

A. Other income

AASB 1060.160(a), AASB 120.29

In thousands of dollars	Note	2022	2021
Government grants	22(A)	**238**	-
Gain on sale of property, plant and equipment		**26**	16
		264	16

B. Other expenses[b]

AASB 1060.91(c)

In thousands of dollars	Note	2022	2021
Impairment loss on goodwill[c]	16(C)	**116**	-
Impairment loss on remeasurement of disposal group		**35**	-
Impairment loss on trade receivables and contract assets	12(B)	**200**	190
Onerous contract charge	23(D)	**160**	-
Earthquake-related expenses		**359**	-
		870	190

8. Net finance costs

See accounting policies in Notes 35(G) and (L).

	In thousands of dollars	Note	2022	2021
AASB 1060.119(b)	**Finance income under the effective interest method on financial assets not measured at FVTPL**		**202**	124
	Remeasurement to fair value of pre-existing interest in an acquiree	26	**250**	-
AASB 1060.119(a)(i)	Financial assets at FVTPL – net change in fair value		**582**	245
	Finance income – other		**832**	245
AASB 1060.119(c)	**Finance costs – impairment loss on debt securities**	18	**(62)**	(13)
AASB 1060.119(a)(iv)	Financial liabilities at amortised cost – interest expense		**(1,523)**	(1,299)
AASB 1060.180(a)	Net foreign exchange loss		**(239)**	(266)
AASB 1060.122(d)	Cash flow hedges – reclassified from OCI		**17**	12
	Unwind of discount on site restoration provision	23	**(60)**	(50)
	Finance costs – other		**(1,805)**	(1,603)
	Net finance costs recognised in profit or loss		**(833)**	(1,247)

AASB 1060.162

The Group has capitalised $231 thousand (2021: $12 thousand) of borrowing costs related to the acquisition of land, the construction of the factory and the development of a new process in one of the factories.

AASB 1060.BC81 **a.** Entities applying AASB 1060 are still expected to disclose information that is not presented elsewhere but that is relevant to an understanding of the financial statement in accordance with paragraph 91(c). This would include information about individually material items of income and expense where information about these items is necessary to assess the entity's financial performance.

Insights 4.1.30.10–40 **b.** There is no guidance in the Standards on how specific expenses are allocated to functions. An entity establishes its own definitions of functions. In our view, cost of sales includes only expenses directly or indirectly attributable to the production process. Only expenses that cannot be allocated to a specific function are classified as 'other expenses'.

AASB 1060.169-170, Insights 3.10.410.20 **c.** The Group has classified expenses by function and has therefore allocated the impairment loss to the appropriate function, where possible. In our view, in the rare case that an impairment loss cannot be allocated to a function, it should be included in 'other expenses' as a separate line item if it is significant (e.g. impairment of goodwill), with additional information given in a note.

Notes to the consolidated financial statements (continued)

9. Share-based payment arrangements[a]

See accounting policy in Note 35(E)(ii).

AASB 1060.164(a) At 30 June 2022, the Group had only one type of share-based payment arrangements[b,c] – cash-settled share appreciation rights (SARs).

On 1 July 2016 and 1 July 2021, the Group granted 100,000 and 300,000 SARs, respectively, to employees that entitle them to a cash payment after three years of service. The SARs expire at the end of a five-year period after grant date. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and the time of exercise.

Details of the liabilities arising from the SARs were as follows.

	In dollars	*Note*	2022	2021
AASB 1060.168(b)	Total carrying amount of liabilities for SARs		**439,950**	379,500

AASB 1060.166, AASB 2.33A The fair value of the SARs has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

AASB 1060.168(a) The Group has recognised in profit or loss the share-based expense of $439,950 (2021: $5,850).

10. Income taxes[d]

See accounting policy in Note 35(H).

A. Amounts recognised in profit or loss

	In thousands of dollars	2022	2021
	Current tax expense		
AASB 1060.177(a)	Current year	**1,707**	3,352
AASB 1060.177(b)	Changes in estimates related to prior years	**116**	(34)
		1,823	3,318
	Deferred tax expense		
AASB 1060.177(c)	Origination and reversal of temporary differences	**77**	(865)
AASB 1060.177(e)	Recognition of previously unrecognised tax losses	**(50)**	(240)
AASB 1060.177(e)	Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences	**(13)**	10
		14	(1,095)
	Tax expense on continuing operations	**1,837**	2,223

ASIC Instrument 2016/191 a. Where an entity applies the rounding relief available in ASIC Instrument 2016/191, certain amounts are required to be rounded to a lower level. ASIC Instrument 2016/191 specifies those amounts with reference to particular disclosure paragraphs in AAS (e.g. AASB 2.50, AASB 124.17). The ASIC Instrument has not been updated for the equivalent paragraphs in AASB 1060 where an entity applies Tier 2 – Simplified Disclosures. This guide applies the requirements in the legislative instrument as if it refers to the corresponding disclosure requirements in AASB 1060.

AASB 1060.164(b) b. Where an entity has share options, it discloses the number and weighted average exercise prices for each of the following groups of options:
- outstanding at the beginning of the period;
- granted during the period;
- forfeited during the period;
- exercised during the period;
- expired during the period;
- outstanding at the end of the period; and
- exercisable at the end of the period.

AASB 1060.165 c. Where an entity has equity-settled share-based payment arrangements, it discloses how it measured the fair value of goods or services received or the value of equity instruments granted. If a valuation methodology was used, the entity discloses the method and its reason for choosing it.

d. The changes in tax laws and the tax rates disclosed or applied throughout this guide to calculate the tax impact amounts are for illustrative purposes only and do not reflect actual changes in tax laws or corporate tax rates in the respective jurisdictions. In practice, the applicable changes in tax laws need to be considered. All tax impacts are calculated using the tax rate of 33%.

Notes to the consolidated financial statements (continued)

10. Income taxes (continued)

B. Amounts recognised in OCI and equity

	In thousands of dollars	2022	2021
	Tax expense (benefit)		
AASB 1060.178(a)	Items recognised in OCI	**(16)**	29
AASB 1060.178(b)	Items recognised directly in equity	**54**	-

C. Reconciliation of effective tax rate[a]

	In thousands of dollars	2022	2022	2021	2021
AASB 1060.178(c)	Profit before tax from continuing operations		**6,288**		8,135
	Tax using the Company's domestic tax rate	**33.00%**	**2,075**	33.00%	2,685
	Effect of tax rates in foreign jurisdictions[b]	**(1.06%)**	**(88)**	(0.66%)	(54)
	Tax effect of:				
	- Share of profit of associates, net of tax	**4.53%**	**(377)**	2.38%	(194)
	- Non-deductible expenses	**2.95%**	**245**	0.44%	36
	- Tax-exempt income	**(0.29%)**	**(24)**	(0.61%)	(50)
	- Tax incentives	**(1.06%)**	**(88)**	(0.77%)	(63)
	- Current-year losses for which no deferred tax asset is recognised	**0.49%**	**41**	1.56%	127
	Recognition of previously unrecognised tax losses	**(0.60%)**	**(50)**	(2.95%)	(240)
	Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences	**(0.16%)**	**(13)**	0.12%	10
	Changes in estimates related to prior years	**1.39%**	**116**	(0.42%)	(34)
		32.06%	**1,837**	26.82%	2,223

AASB 1060.178(c)

a. Rather than presenting either a numerical reconciliation between total tax expense and the product of accounting profit multiplied by the applicable tax rates, or a numerical reconciliation between the average effective tax rate and the applicable tax rate, the Group has elected to present both. Only one form is required to be presented.

b. The Group's reconciliation of the effective tax rate is based on its domestic tax rate, with a reconciling item in respect of tax rates applied by Group companies in other jurisdictions. The reconciliation of the effective tax rate is based on an applicable tax rate that provides the most meaningful information to users. In some cases, it might be more meaningful to aggregate separate reconciliations prepared using the domestic tax rate in each individual jurisdiction.

Notes to the consolidated financial statements (continued)

10. Income taxes (continued)

AASB 1060.178(e)

D. Movement in deferred tax balances

In thousands of dollars	Net balance at 1 July	Recogn. in profit or loss	Recogn. in OCI	Recogn. directly in equity	Acquired in bus. comb.	Other	Balance at 30 June: Net	Balance at 30 June: Deferred tax assets	Balance at 30 June: Deferred tax liabilities
2022									
Property, plant and equipment	**443**	**(241)**	**-**	**-**	**(35)**	**210**	**377**	**553**	**(176)**
Leases	**132**	**54**	**-**	**-**	**-**	**-**	**186**	**186**	**-**
Intangible assets	**56**	**4**	**-**	**-**	**(38)**	**-**	**22**	**98**	**(76)**
Investment in securities	**38**	**(7)**	**24**	**-**	**-**	**-**	**55**	**82**	**(27)**
Trade and other receivables	**53**	**17**	**-**	**-**	**-**	**-**	**70**	**70**	**-**
Derivatives	**(40)**	**(5)**	**16**	**-**	**-**	**-**	**(29)**	**2**	**(31)**
Inventories	**64**	**96**	**-**	**-**	**(3)**	**40**	**197**	**197**	**-**
Loans and borrowings	**-**	**-**	**-**	**(54)**	**(9)**	**-**	**(63)**	**-**	**(63)**
Provisions	**417**	**8**	**(24)**	**-**	**6**	**-**	**407**	**661**	**(254)**
Deferred income	**54**	**(15)**	**-**	**-**	**-**	**-**	**39**	**39**	**-**
Other items	**14**	**25**	**-**	**-**	**-**		**39**	**50**	**(11)**
Tax losses carried forward	**386**	**50**	**-**	**-**	**-**	**-**	**436**	**436**	**-**
Tax assets (liabilities) before set-off	**1,617**	**(14)**	**16**	**(54)**	**(79)**	**250**	**1,736**	**2,374**	**(638)**
Set-off of tax							**-**	**(387)**	**387**
Net tax assets (liabilities)							**1,736**	**1,987**	**(251)**
2021									
Property, plant and equipment	84	359	-	-	-	-	443	526	(83)
Leases	125	7	-	-	-	-	132	132	-
Intangible assets	(38)	94	-	-	-	-	56	94	(38)
Investment in securities	(18)	61	(5)	-	-	-	38	92	(54)
Trade and other receivables	-	53	-	-	-	-	53	53	-
Derivatives	(12)	1	(29)	-	-	-	(40)	3	(43)
Inventories	8	56	-	-	-	-	64	64	-
Provisions	200	212	5	-	-	-	417	658	(241)
Deferred income	46	8	-	-	-	-	54	54	-
Other items	10	4	-	-	-	-	14	18	(4)
Tax losses carried forward	146	240	-	-	-	-	386	386	-
Tax assets (liabilities) before set-off	551	1,095	(29)	-	-	-	1,617	2,080	(463)
Set-off of tax							-	(126)	126
Net tax assets (liabilities)							1,697	1,954	(337)

Notes to the consolidated financial statements (continued)

10. Income taxes (continued)

E. Unrecognised deferred tax assets

AASB 1060.178(f)

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

In thousands of dollars	2022	2021
Deductible temporary differences	**161**	200
Tax losses	**644**	672
	805	872

F. Tax losses carried forward

AASB 1060.178(f)

Tax losses for which no deferred tax asset was recognised expire as follows.

In thousands of dollars	2022	Expiry date	2021	Expiry date
Expire	**644**	**2023–2027**	520	2025–2026
Never expire	**-**	**-**	152	-

11. Inventories

See accounting policies in Notes 35(D) and 35(I).

	In thousands of dollars	2022	2021
AASB 1060.123(b)			
AASB 1060.44(c)(i)	Finished goods	**4,200**	4,705
AASB 1060.44(c)(iii)	Raw materials and consumables	**7,415**	6,914
	Right to recover returned goods[a]	**533**	500
	Inventories	**12,148**	12,119
AASB 1060.123(e)	Carrying amount of inventories pledged as security for liabilities	**1,650**	2,090

AASB 1060.123(c)

In 2022, inventories of $54,019 thousand (2021: $53,258 thousand) were recognised as an expense during the year and included in 'cost of sales'.

AASB 1060.123(d)

In 2021, the Group tested the related product line for impairment (see Note 16(C)(i)) and wrote down the related inventories to their net realisable value, which resulted in a loss of $42 thousand. In 2022, following a change in estimates, $10 thousand of the write-down was reversed.

In addition, inventories have been reduced by $345 thousand (2021: $125 thousand) as a result of the write-down to net realisable value. This write-down was recognised as an expense during 2022.

The write-downs and reversals are included in 'cost of sales'.

AASB 15.B21

a. AASB 15 *Revenue from Contracts with Customers* and other standards do not specify where assets for rights to recover products from customers with regards to sales with a right of return should be presented. The Group has included the assets in 'inventories' and disclosed them separately in the note.

Notes to the consolidated financial statements (continued)

12. Trade and other receivables

See accounting policies in Notes 35(M)(i)–(ii) and (P)(i).

	In thousands of dollars	*Note*	2022	2021
AASB 1060.44(b)	Trade receivables due from related parties	30(C)	**585**	516
AASB 1060.44(b)	Trade receivables due from other parties		**31,933**	21,809
AASB 1060.44(b), 159	Contract assets[a]		**1,271**	782
AASB 1060.44(b)	Prepayments		**330**	1,200
			34,119	24,307

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on made-to-order paper products.

A. Transfer of trade receivables

AASB 1060.116(a)-(b), 117

The Group sold with recourse trade receivables to a bank for cash proceeds. These trade receivables have not been derecognised from the statement of financial position, because the Group retains substantially all of the risks and rewards – primarily credit risk. The amount received on transfer has been recognised as a secured bank loan (see Note 20(A)). The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank.

The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

The following information shows the carrying amount of trade receivables at the reporting date that have been transferred but have not been derecognised and the associated liabilities.

	In thousands of dollars	*Note*	2022	2021
AASB 1060.116(c)	Carrying amount of trade receivables transferred to a bank		**600**	1,000
AASB 1060.116(c)	Carrying amount of associated liabilities	20(A)	**598**	985

B. Impairment losses

AASB 1060.119(c)

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

In thousands of dollars	2022	2021
Impairment loss on trade receivables and contract assets*	**210**	192
Impairment loss on lease receivable	**1**	1
	211	193

* Of which, $11 thousand (2021: $3 thousand) related to a discontinued operation.

AASB 1060.97

The loss allowances for trade receivables and contract assets are based on assumptions about risk of default and expected loss rates. The expected loss rates applied as at 30 June 2022 vary from 1% for receivables that are more than 30 days past due to 44% for receivables that are more than 120 days past due (30 June 2021 – from 1% to 40%).

AASB 1060.44(b), AASB 15.109

a. Although this guide uses the term 'contract assets', an entity may also use another term.

Notes to the consolidated financial statements (continued)

13. Cash and cash equivalents

See accounting policies in Notes 35(M)(i)–(ii) and (P)(i).

AASB 1060.88

In thousands of dollars	2022	2021
Bank balances	**50**	988
Call deposits	**1,454**	861
Cash and cash equivalents in the statement of financial position	**1,504**	1,849
Bank overdrafts repayable on demand and used for cash management purposes	**(334)**	(282)
Cash and cash equivalents in the statement of cash flows	**1,170**	1,567

14. Disposal group held for sale[a]

See accounting policy in Note 35(L).

AASB 1060.47(a)-(b)

In December 2021, management committed to a plan to sell part of a manufacturing facility. Accordingly, part of that facility is presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected by October 2022.

At 30 June 2022, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.[b]

AASB 5.38

In thousands of dollars	Note	
Property, plant and equipment	7(B), 15(A)	**8,129**
Inventories		**2,775**
Trade and other receivables		**3,496**
Assets held for sale		**14,400**

In thousands of dollars	Note	
Trade and other payables		**4,270**
Deferred tax liabilities	10(D)	**140**
Liabilities held for sale		**4,410**

a. The part of the Group's manufacturing facility that has been presented as a disposal group held for sale does not meet the definition of a discontinued operation in AASB 5.

AASB 5.38

b. The Group has elected to disclose major classes of assets and liabilities classified as held-for-sale in the notes. Alternatively, this information may be provided in the statement of financial position.

Notes to the consolidated financial statements (continued)

15. Property, plant and equipment[a]

See accounting policies in Notes 35(J), (P)(ii) and (R)(ii).

A. Reconciliation of carrying amount[b]

	In thousands of dollars	*Note*	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
AASB 1060.44(a)	**Balance at 1 July 2021:**						
AASB 1060.134(d)	Gross carrying amount		10,624	30,284	6,135	-	47,043
AASB 1060.134(d)	Accumulated depreciation and impairment losses		(1,738)	(10,318)	(1,757)	-	(13,813)
AASB 1060.134(e)	**Net carrying amount at 1 July 2021**		8,886	19,966	4,378	-	33,230
AASB 1060.134(e)(i)	Additions	(B)	1,750	9,694	657	4,100	16,201
AASB 1060.134(e)(ii)	Reclassification to assets held for sale: gross carrying amount	14	-	(9,222)	-	-	(9,222)
	Reclassification to assets held for sale – depreciation offset	14	-	1,058	-	-	1,058
AASB 1060.134(e)(iii)	Acquisitions through business combinations	26	185	1,580	190	-	1,955
AASB 1060.134(e)(vi)	Reversal of impairment loss		-	393	-	-	393
AASB 1060.134(e)(vii)	Depreciation		(120)	(4,478)	(741)	-	(5,339)
AASB 1060.134(e)(viii)	Disposals: gross carrying amount		(89)	(11,972)	(2,100)	-	(14,161)
	Disposals: depreciation offset		-	3,808	1,127	-	4,935
AASB 1060.134(e)(viii)	Effect of movements in exchange rates: gross carrying amount		-	91	50	-	141
	Effect of movements in exchange rates: depreciation and impairment		-	(63)	(38)	-	(101)
	Net carrying amount at 30 June 2022		10,612	10,855	3,523	4,100	29,090
	Balance at 30 June 2022:						
AASB 1060.134(d)	Gross carrying amount		12,470	20,455	4,932	4,100	41,957
AASB 1060.134(d)	Accumulated depreciation and impairment losses		(1,858)	(9,600)	(1,409)	-	(12,867)
	Net carrying amount at 30 June 2022		10,612	10,855	3,523	4,100	29,090

[AASB 16.47] Property, plant and equipment includes right-of-use assets of $3,593 thousand related to leased properties (see Note 27(A)(i)).

B. Property, plant and equipment under construction

In 2022, the Group acquired a piece of land for $3,100 thousand, with the intention of construction a new factory on the site.

The Group has started construction and costs incurred up to 30 June 2022 totalled $1,000 thousand (2021: nil).

AASB 1060.136 a. If items of property, plant and equipment are stated at revalued amounts, an entity discloses the effective date of revaluation, whether an independent valuer was involved, the methods and significant assumptions applied in estimating the items' fair values, and the revaluation surplus indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

AASB 1060.134(e) b. This reconciliation need not be presented for prior periods.

Notes to the consolidated financial statements (continued)

15. Property, plant and equipment (continued)

C. Change in estimates

AASB 1060.109

In 2022, the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain dyeing equipment. The dyeing equipment, which management had previously intended to sell after five years of use, is now expected to remain in production for 12 years from the date of purchase. As a result, the expected useful life of the equipment increased and its estimated residual value decreased. The effect of these changes on actual and expected depreciation expense, included in 'cost of sales', was as follows.

In thousands of dollars	2022	2023	2024	2025	2026	Later
(Decrease) increase in depreciation expense	**(256)**	(113)	150	150	130	170

16. Intangible assets

See accounting policies in Notes 35(K) and (P)(ii).

A. Reconciliation of carrying amount[a,b,c]

	In thousands of dollars	*Note*	Goodwill	Patents and trademarks	Development costs	Customer relationships	Total
	Balance at 1 July 2021:						
AASB 1060.137(c)	Gross carrying amount		**3,545**	**1,093**	**4,551**	**-**	**9,189**
AASB 1060.137(c)	Accumulated depreciation and impairment losses		**(138)**	**(639)**	**(3,751)**	**-**	**(4,528)**
	Net carrying amount at 1 July 2021		**3,407**	**454**	**800**	**-**	**4,661**
AASB 1060.137(e)(i)	Acquisitions – internally developed		**-**	**-**	**1,272**	**-**	**1,272**
AASB 1060.137(e)(iii), 143(a)	Acquisitions through business combinations	26	**541**	**170**	**-**	**80**	**791**
AASB 1060.137(e)(v)	Amortisation	(B)	**-**	**(129)**	**(646)**	**(10)**	**(785)**
AASB 1060.137(e)(vi), 143(b)	Impairment loss	(C), 7(B)	**(116)**	**-**	**-**	**-**	**(116)**
AASB 1060.137(e)(vi)	Reversal of impairment loss	(C)	**-**	**-**	**100**	**-**	**100**
AASB 1060.137(e)(vii)	Effect of movements in exchange rates: gross carrying amount		**-**	**186**	**195**	**-**	**381**
	Effect of movements in exchange rates: depreciation and impairment		**-**	**(61)**	**(17)**	**-**	**(78)**
	Net carrying amount at 30 June 2022		**3,832**	**620**	**1,704**	**70**	**6,226**
	Balance at 30 June 2022						
AASB 1060.137(c)	Gross carrying amount		**4,086**	**1,449**	**6,018**	**80**	**11,633**
AASB 1060.137(c)	Accumulated depreciation and impairment losses		**(254)**	**(829)**	**(4,314)**	**(10)**	**(5,407)**
	Net carrying amount at 30 June 2022		**3,832**	**620**	**1,704**	**70**	**6,226**

AASB 1060.137(e) **a.** This reconciliation need not be presented for prior periods.

AASB 1060.138(a) **b.** Where any individual intangible asset (other than goodwill) is material to the entity's financial statements, the entity discloses a description, the carrying amount and remaining amortisation period of that intangible asset.

AASB 1060.141 **c** Where an intangible asset (other than goodwill) is assessed as having an indefinite useful life, the entity discloses the carrying amount of that asset and the reasons for supporting the assessment of an indefinite useful life. In giving these reasons, the entity discloses the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

Notes to the consolidated financial statements (continued)

16. Intangible assets (continued)

B. Amortisation

AASB 1060.137(d)

The amortisation of patents, trademarks and development costs is allocated to the cost of inventory and is included in 'cost of sales' as inventory is sold; the amortisation of customer relationships is included in 'cost of sales'.

C. Impairment test

AASB 1060.169

The impairment loss and its subsequent reversal were recognised in relation to the manufacture of a new product in the non-recycled papers business, and in relation to the goodwill in the manufacturing and distribution CGU as follows.

	In thousands of dollars	**Note**	**2022**	**2021**
AASB 1060.170(a)	**Non-recycled papers**: Plant and equipment	(i)	**(393)**	1,123
AASB 1060.170(d)	**Non-recycled papers**: Development costs	(i)	**(100)**	285
AASB 1060.170(c)	**Manufacturing and distribution**: Goodwill		**116**	-

The impairment loss and subsequent reversal of plant and equipment and development costs were included in 'cost of sales'.[a]

The impairment loss on goodwill was included in 'other expenses' (see Note 7(B)).[a]

i. Impairment loss and subsequent reversal in relation to a new product

In 2021, a regulatory inspection revealed that a new product did not meet certain environmental standards, necessitating substantial changes to the manufacturing process. Before the inspection, the product was expected to be available for sale in 2022; however, as a result of the regulatory restrictions, production and the expected launch date were deferred.

Accordingly, management estimated the recoverable amount of the CGU (the product line) in 2021, assuming that the production line would go live in April 2023.

In 2022, following certain changes to the recovery plan, the Group reassessed its estimates and reversed part of the initially recognised impairment.

AASB 1060.97

The estimate of value in use was determined using a pre-tax discount rate of 10.5% (2021: 9.8%) and a terminal value growth rate of 3% from 2026 (2021: 3% from 2025).

AASB 1060.169-170, Insights 3.10.410.20

a. The Group has classified expenses by function and has therefore allocated the impairment loss to the appropriate function. In our view, in the rare case that an impairment loss cannot be allocated to a function, it should be included in 'other expenses' as a separate line item if it is significant (e.g. impairment of goodwill), with additional information given in a note.

Notes to the consolidated financial statements (continued)

17. Investments in associates

See accounting policies in Notes 35(A)(v)–(vi) and (P)(i).

In thousands of dollars	2022	2021
AASB 1060.125(b) Investments in associates	**272**	900

On 30 September 2021, the Group's equity interest in its material associate, Papyrus (2021: $453 thousand), increased from 25 to 100% and Papyrus became a subsidiary from that date (see Note 26). Papyrus is one of the Group's strategic suppliers and is principally engaged in the production of paper pulp.

The Group's share of results of Papyrus for the period from 1 July 2021 to 30 September 2021 (the acquisition date) comprised profit and OCI of $69 thousand and minus $102 thousand respectively (2021: $213 thousand and minus $138 thousand respectively).

The Group also has interests in a number of individually immaterial associates. For one of these associates; the Group owns 20% of the equity interests but has less than 20% of the voting rights; however, the Group has determined that it has significant influence because it has meaningful representation on the board of the investee.

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates.

In thousands of dollars	2022	2021
Carrying amount of interests in associates	**272**	447
AASB 1060.127 Share of:		
– Profit from continuing operations	**(133)**	102
– Other comprehensive income	**(57)**	(31)
	(190)	71

18. Other financial assets

See accounting policies in Notes 35(L) and (P)(i).

In thousands of dollars	2022	2021
Current investments		
Government bonds – mandatorily at FVTPL	**243**	591
AASB 1060.120(b) Forward exchange contracts used for hedging	**419**	441
	662	1,032
Non-current investments		
Equity securities – mandatorily at FVTPL	**251**	254
Corporate debt securities – at amortised cost	**2,421**	2,243
	2,672	2,497

AASB 1060.114 Government bonds at FVTPL have stated interest rates of 3.5–4.0% (2021: 3.2–3.8%) and are held for trading.

Corporate debt securities classified as at amortised cost have interest rates of 6.3–7.8% (2021: 7.5–8.3%) and mature in two to five years.

AASB 1060.119(c) The Group has recognised an impairment loss on debt securities at amortised cost of $62 thousand (2021: $13 thousand).

Notes to the consolidated financial statements (continued)

19. Capital and reserves

See accounting policies in Notes 35(B)(i)–(ii), (E)(iv), (M)(v), (N) and (O).

A. Share capital

AASB 1060.45(a)(iv)

AASB 1060.45(a)(ii)

AASB 1060.45(a)(ii)

In thousands of shares	Ordinary shares	Non-redeemable preference shares
In issue at 1 July 2021[a]	**3,100**	**1,750**
Issued for cash	**130**	**-**
In issue at 30 June 2022 – fully paid	**3,230**	**1,750**

AASB 1060.45(a)(i), (iii)

The Company does not have authorised capital or par value in respect of its issued shares.

AASB 1060.45(a)(v)

All ordinary shares rank equally with regard to the Company's residual assets. Preference shareholders participate only to the extent of the face value of the shares.

i. Ordinary shares

AASB 1060.45(a)(v)

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

In April 2022, the general meeting of shareholders approved the issue of 130,000 ordinary shares at a price of $11.92 per share (2021: nil).

ii. Non-redeemable preference shares

AASB 1060.45(a)(v)

Holders of these shares receive a non-cumulative dividend of 25.03 cents per share at the Company's discretion, or whenever dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders. These shares do not have voting rights.

AASB 1060.45(b)

B. Nature and purpose of reserves

i. Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation (see Note 35(M)(v)).

ii. Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

iii. Convertible notes

The reserve for convertible notes comprises the amount allocated to the equity component for the convertible notes issued by the Group in November 2021 (see Note 20(C)).

iv. Profits reserve

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The profits reserve represents profits of entities within the Group transferred to a separate reserve to preserve their profit character. Such profits are available to enable payment of franked dividends in future years. Dividends amounting to $1,243 thousand (2021: $571 thousand) were distributed from the profits reserve during the year.

AASB 1060.101

C. Dividends

In thousands of dollars	2022		2021	
Dividend franking account[b]	**AU**	**NZ**	AU	NZ
Amount of franking credits available to shareholders of Example Simplified Disclosures Proprietary Limited for subsequent years	**3,092**	**1,030**	1,348	726

The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the total benefit of $4,122 thousand (2021: $2,074 thousand) franking credits.

AASB 1060.45(a)(iv) **a.** The reconciliation of the number of shares outstanding at the beginning and at the end of the period need not be presented for prior periods.

AASB 1060.100 **b.** Separate disclosure is required in respect of any New Zealand imputation credits and any Australian imputation credits.

Notes to the consolidated financial statements (continued)

AASB 1060.113(d)

20. Loans and borrowings

See accounting policies in Notes 35(B)(i)–(ii), (M)(i), (M)(iii), (P)(ii), (Q) and (R).

In thousands of dollars	*Note*	2022	2021
Current			
Secured bank loans		**1,055**	3,985
Unsecured bank loans		**503**	117
Loan from associate	30(C)	**-**	1,000
Dividends payable on redeemable preference shares		**51**	-
Lease liabilities		**674**	444
		2,283	5,546
Non-current			
Secured bank loans		**7,554**	8,093
Unsecured bank loans		**-**	-
Redeemable preference shares		**1,939**	-
Dividends payable on redeemable preference shares		**-**	-
Lease liabilities		**3,451**	1,738
		17,622	9,831

AASB 1060.114

A. Terms and repayment schedule

The terms and conditions of outstanding loans are as follows.[a]

In thousands of dollars	Currency	Nominal interest rate	Year of maturity	30 June 2022 Carrying amount	30 June 2021 Carrying amount
Secured bank loan (see Note 12(A))	AUD	3.60–3.90%	2022–23	**598**	985
Secured bank loan	NZD	3.90-4.70%	2022-26	**1,240**	1,257
Secured bank loan	USD	4.70%	2024–25	**1,447**	1,521
Secured bank loan (see (B))	AUD	4.50%	2024–25	**3,460**	3,460
Secured bank loan	AUD	3.50-3.70%	2022–24	**1,864**	4,855
Unsecured bank loan	AUD	3.80%	2023	**503**	-
Unsecured bank loan	AUD	5.50%	2022	**-**	117
Loan from associate	AUD	4.80%	2022	**-**	1,000
Convertible notes	AUD	3.00%	2025	**4,678**	-
Redeemable preference shares	AUD	4.40%	2028	**1,990**	-
Lease liabilities	AUD	6.0–7.0%	2022–36	**4,125**	2,182
Total interest-bearing liabilities				**19,905**	15,377

AASB 1060.114, 116(c), 117, 123(e), 135(a)

The secured bank loans are secured over land and buildings, inventories and trade receivables with a carrying amount of $5,000 thousand (2021: $4,700 thousand), $1,650 thousand (2021: $2,090 thousand) and $600 thousand (2021: $1,000 thousand) respectively.

AASB 1060.114, 144(b), BC78

a. AASB 1060 requires an entity to disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity). AASB 1060 does not mandate a maturity analysis by time bands, except for lease payments – see Note 27(A); however, an entity may present such analysis if it determines it is an appropriate disclosure to satisfy the requirements in paragraph 114.

Notes to the consolidated financial statements (continued)

20. Loans and borrowings (continued)

A. Terms and repayment schedule (continued)

As disclosed below, the Group has a secured bank loan that contains a loan covenant. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. In addition, convertible notes will become repayable on demand in the Group's net debt to adjusted equity ratio exceeds 1.95. Under the agreement, the covenant is monitored on a regular basis and reported to management to ensure compliance with the agreement.

B. Breach of loan covenant

AASB 1060.118

The Group has a secured bank loan with a carrying amount of $3,460 thousand at 30 June 2022 (2021: $3,460 thousand). This loan is repayable in tranches within five years. However, the loan contained a covenant stating that at the end of each quarter the Group's debt (defined in the covenant as the Group's loans and borrowings and trade and other payables) cannot exceed 2.5 times the Group's quarterly revenue from continuing operations, otherwise the loan will be repayable on demand.

The Group exceeded its maximum leverage threshold (loan covenant ratio, calculated as debt to quarterly revenue for continuing operations) associated with a bank loan in the first quarter of 2022 and the threshold was still exceeded as at 30 June 2022. However, management obtained a waiver from the bank in April 2022, which extended for a period of 18 months until September 2023. Accordingly, the loan was not payable on demand at 30 June 2022.[a]

Subsequent to 30 June 2022, the bank revised the loan covenant ratio from 2.5 to 3.5 times and the waiver was lifted. On the basis of the new covenant and its forecasts, management believes that the risk of the new covenant being breached is low.

AASB 1060.114

C. Convertible notes

In thousands of dollars

Proceeds from issue of convertible notes (1,250,000 notes at $4 face value)	**5,000**
Transaction costs	**(250)**
Net proceeds	**4,750**
Amount classified as equity (net of transaction costs of $9 thousand)	**(163)**
Accreted interest	**91**
Carrying amount of liability at 30 June 2022	**4,678**

These notes were issued on 29 November 2021. They are convertible into 250,000 ordinary shares in November 2023 at the option of the holder. Any unconverted notes become payable on demand.

AASB 1060.114

D. Redeemable preference shares

In thousands of dollars

Proceeds from issue of redeemable preference shares	**2,000**
Transaction costs	**(61)**
Accrued dividend	**51**
Carrying amount at 30 June 2022	**1,990**

In 2022, 1,000,000 redeemable preference shares were issued as fully paid with a face value of $2 per share (2021: nil). The redeemable preference shares are mandatorily redeemable at par on 30 November 2026 and the Group is obliged to pay holders of these shares annual dividends of 4.4% of the face amount on 30 November each year until and including on maturity. Redeemable preference shares do not carry the right to vote.

Insights 3.1.40.130 **a.** In some circumstances, an entity may – before the reporting date – obtain from a lender an agreement to amend a lending arrangement. Such amendments may defer the date as at which information is assessed for testing covenant compliance from a date at or before the reporting date to a later date. We believe that in these situations whether the entity would have breached the related covenant had the agreement not been amended does not affect the classification of the liability at the reporting date.

Notes to the consolidated financial statements (continued)

21. Trade and other payables

See accounting policies in Notes 35(M)(iii)-(iv).

AASB 1060.44(d),

In thousands of dollars	Note	2022	2021
Trade payables due to related parties	30	**137**	351
Trade payables due to other parties		**22,531**	19,600
Accrued expenses		**312**	487
Trade payables		**22,980**	20,438
Forward exchange contracts used for hedging	24(C)	**8**	7
Refund liabilities[a]		**988**	883
Cash-settled share-based payment liability		**440**	380
Other payables		**1,436**	1,270
		24,416	21,708

AASB 1060.168(b)

22. Deferred income

See accounting policy in Note 35(F).

In thousands of dollars	Note	2022	2021
Government grants[b]	(A)	**1,424**	1,462
		1,424	1,462

A. Government grants

AASB 1060.160(a)-(b)

The Group has been awarded two government grants. One of the grants, received in 2021, amounted to $1,462 thousand and was conditional on the acquisition of factory premises in a specified region. The factory has been in operation since late 2021 and the grant, recognised as deferred income, is being amortised over the useful life of the building. In accordance with the terms of the grant, the Group is prohibited from selling the factory premises for a period of 15 years from the date of the grant.

The second grant, received in 2022, was unconditional and amounted to $200 thousand. It was included in 'other income' when it became receivable (see Note 7(A)).

AASB 15.55

a. The Group has presented its refund liabilities under AASB 15 *Revenue from Contracts with Customers* as 'trade and other payables'. The Group's returns policy offers only an exchange for another good – i.e. the Group does not offer a cash refund. Therefore, refund liabilities do not meet the definition of a financial liability in AASB 132 *Financial Instruments: Presentation*.

AASB 1060.160(d), AASB 120.24, Insights 4.3.130.60

b. The Group has elected to present government grants related to assets as deferred income. Alternatively, an entity may present these grants as a deduction in arriving at the carrying amount of the related asset.
The deferred income is generally classified as a non-current liability when an entity presents a classified statement of financial position.

Notes to the consolidated financial statements (continued)

23. Provisions

See accounting policies in Notes 35(E) and (Q).

In thousands of dollars		***Note***	**2022**	**2021**
	Current provisions			
AASB 1060.44(e)	Employee benefits		**20**	8
AASB 1060.44(e)	Other provisions		**660**	1,540
			680	1,548
	Non-current provisions			
AASB 1060.44(e)	Employee benefits		**187**	173
AASB 1060.44(e)	Other provisions		**1,010**	-
			1,197	173

AASB 1060.172

Contributions to defined contribution plans recognised as an expense in profit or loss in 2022 were $455 thousand (2021: $419 thousand).

A reconciliation for each class of other provisions is provided below.[a]

	In thousands of dollars	***Note***	**Warranties**	**Restructuring**	**Site restoration**	**Onerous contracts**	**Legal**	**Total**
AASB 1060.153(a)(i)	Balance at 1 July 2021		**200**	**600**	**740**	**-**	**-**	**1,540**
	Assumed in a business combination	26	**-**	**-**	**150**	**-**	**20**	**170**
AASB 1060.153(a)(ii)	Provisions made during the year		**280**	**400**	**720**	**160**	**-**	**1,560**
AASB 1060.153(a)(iii)	Provisions used during the year		**(200)**	**(500)**	**(800)**	**-**	**-**	**(1,500)**
AASB 1060.153(a)(iv)	Provisions reversed during the year		**-**	**(100)**	**-**	**-**	**-**	**(100)**
AASB 1060.153(a)(i)	**Balance at 30 June 2022**		**280**	**400**	**810**	**160**	**20**	**1,670**

AASB 1060.153 a. An entity is not required to disclose comparative information for prior periods.

Notes to the consolidated financial statements (continued)

23. Provisions (continued)

A. Warranties

AASB 1060.153(b)-(d)

The provision for warranties relates mainly to paper sold in 2021 and 2022. The provision has been estimated based on historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year. An expected reimbursement of warranty expense incurred of $25 thousand has been included in 'trade receivables due from other parties' (see Note 12) following a supplier accepting responsibility for the defective products.

B. Restructuring (including termination benefits)[a]

AASB 1060.153(b)-(c), 174

In 2022, a provision of $400 thousand was made to cover the costs associated with restructuring part of a manufacturing facility that will be retained when the remainder of the facility is sold (see Note 14). Estimated restructuring costs mainly include employee termination benefits of $325 thousand, which are fully provided for, and are based on a detailed plan agreed between management and employee representatives. The restructuring and the sale are expected to be completed by December 2022.

In 2021, the Group committed to a plan to restructure a product line in the paper manufacturing and distribution division due to a decrease in demand as a result of a deterioration in economic conditions. Following the announcement of the plan, the Group recognised a provision of $600 thousand for expected restructuring costs, including contract termination costs of $128 thousand, consulting fees of $271 thousand and employee termination benefits of $201 thousand. Estimated costs were based on the terms of the relevant contracts. The restructuring was completed in 2022, and $500 thousand of the provision was used during the year (noting that the full amount of employee termination benefits provided for was paid). The unused provision of $100 thousand was reversed and has been included in 'cost of sales'.[b]

C. Site restoration

i. Australia

AASB 1060.153(b)

A provision of $740 thousand was made in 2021 and an unwind of the discount of $60 thousand was recognised in 2022 in respect of the Group's obligation to rectify environmental damage in Australia. The required work was completed during 2022 at a cost of $800 thousand.

ii. New Zealand

AASB 1060.153(b)-(c)

Under New Zealand law, the Group's subsidiary in New Zealand is required to restore contaminated land to its original condition before the end of 2025. In 2022, the Group provided $660 thousand for this purpose.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are currently available. The Group has been provided with a range of reasonably possible outcomes for the total cost, which range from $500 thousand to $700 thousand, reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 5.9%. The rehabilitation is expected to occur in the next two to three years.

iii. Acquisition of Papyrus

AASB 1060.153(b)

As part of the acquisition of Papyrus, the Group recognised environmental provisions of $150 thousand, measured on a provisional basis (see Note 26).

D. Onerous contracts

AASB 1060.153(b)

As a result of a non-cancellable sales contract related to standard paper products and the expected increase in costs to fulfil the contract arising from supply chain disruptions, the Group is no longer expected to cover the consideration receivable and recognised an onerous contract provision of $160 thousand.

E. Legal

AASB 1060.154, 142(e)

As a result of the acquisition of Papyrus, the Group assumed a contingent liability of $20 thousand, measured on a provisional basis (see Note 26).

AASB 1060.175

a. When there is uncertainty about the number of employees who will accept an offer of termination benefits, an entity discloses information about this contingent liability unless the possibility of an outflow in settlement is remote.

b. This disclosure is not specifically required in AASB 1060 but is included to provide context for the termination benefits that were previously provided for and actually paid.

Notes to the consolidated financial statements (continued)

24. Financial instruments

A. Accounting classifications

AASB 1060.113

The following table shows the carrying amounts of financial assets and financial liabilities.

	30 June *In thousands of dollars*	***Note***	**2022**	**2021**
AASB 1060.113(a)	**Financial assets measured at fair value through profit or loss**			
	Forward exchange contracts used for hedging	18	**419**	441
	Government bonds	18	**243**	591
	Equity securities	18	**251**	254
			913	1,286
AASB 1060.113(b)	**Financial assets measured at amortised cost**			
	Trade receivables*	12	**32,518**	22,325
	Cash and cash equivalents	13	**1,504**	1,849
	Corporate debt securities	18	**2,421**	2,243
			36,443	26,417
AASB 1060.113(c)	**Financial liabilities measured at fair value through profit or loss**		**2**	
	Forward exchange contracts used for hedging	21	**(8)**	(7)
			(8)	(7)
AASB 1060.113(d)	**Financial liabilities measured at amortised cost**			
	Bank overdrafts	13	**(334)**	(282)
	Secured bank loans	20	**(8,609)**	(12,078)
	Unsecured bank loans	20	**(503)**	(117)
	Convertible notes – liability component	20	**(4,678)**	-
	Redeemable preference shares	20	**(1,939)**	-
	Dividends payable on redeemable preference shares	20	**(51)**	-
	Loan from associate	30	**-**	(1,000)
	Trade payables*	21	**(22,980)**	(20,438)
			(39,094)	(33,915)

* Other receivables and payables that are not financial instruments (contract assets, prepayments and refund liabilities) are not included.

Notes to the consolidated financial statements (continued)

24. Financial instruments (continued)

B. Measurement of fair values

AASB 1060.115

The following tables show the valuation techniques used in measuring fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in Note 4(B).

Type	Valuation technique	Significant unobservable inputs
Equity securities	*Market comparison technique:* The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities, and the revenue and EBITDA of the investee. The estimate is adjusted for the net debt of the investee.	Adjusted market multiple (2021: 4–7).
Corporate debt securities	*Market comparison/discounted cash flow:* The fair value is estimated considering (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable.
Forward exchange contracts	*Forward pricing:* The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.

Notes to the consolidated financial statements (continued)

24. Financial instruments (continued)

C. Financial risk management – Hedging

The Group uses derivatives to manage market risks, e.g. changes in foreign exchange rates. All such transactions are carried out within the guidelines set by risk management committee. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

Currency risk

AASB 1060.120(c)

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the Australian and New Zealand dollars. The currencies in which these transactions are primarily denominated are Australian, New Zealand and US dollars.

AASB 1060.120(a)-(b)

The Group's risk management policy is to hedge 75 to 85% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months at any point in time. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. These contracts are generally designated as cash flow hedges.[a,b,c]

AASB 1060.120

The Group designates the full change in the fair value of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are:

– the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
– changes in the timing of the hedged transactions.

Net investment hedges

AASB 1060.120(c)

A foreign currency exposure arises from the Group's net investment in its New Zealand subsidiary that has a New Zealand dollar functional currency. The risk arises from the fluctuation in spot exchange rates between the New Zealand dollar and the Australian dollar, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a weakening New Zealand dollar against the Australian dollar that will result in a reduction in the carrying amount of the Group's net investment in the New Zealand subsidiary.

AASB 1060.120(a)-(b)

Part of the Group's net investment in its New Zealand subsidiary is hedged by a New Zealand dollar-denominated secured bank loan (carrying amount: $1,240 thousand (2021: $1,257 thousand)), which mitigates the foreign currency risk arising from the subsidiary's net assets. The loan is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the AUD/NZD spot rate.

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a. The Group has not designated any fair value hedging relationships.

AASB 1060.122(b) **b.** The Group did not have any forecast transaction for which cash flow hedge accounting had been used in the previous period, but which is no longer expected to occur. If it did, then it would be required to disclose a description of the forecast transaction as well as the amount reclassified from the cash flow hedge reserve to profit or loss.

AASB 1060.122(e) **c.** The amount of any cash flow hedge or net investment hedge ineffectiveness recognised in profit or loss for the period is also separately disclosed where relevant. Other quantitative disclosures relating to hedging are disclosed in the Statement of profit or loss and OCI.

Notes to the consolidated financial statements (continued)

25. List of subsidiaries[a]

See accounting policy in Note 35(A)(ii).

AASB 1060.192

Set out below is a list of material subsidiaries of the Group.

- Paper AU Pty Ltd – Australia, 100% ownership interest (2021: 100%)
- Paper Pulp Pty Ltd – Australia, 100% ownership interest (2021: 100%)
- Paper NZ Ltd – New Zealand, 100% ownership interest (2021: 100%)
- Papyrus Ltd – New Zealand, 100% ownership interest (2021: 25%)

26. Acquisition of subsidiary

See accounting policy in Note 35(A)(i)–(iii).

AASB 1060.142(a)-(d)

On 30 September 2021, the Group acquired 75% of the shares and voting interests in Papyrus for a total cash consideration of $2,935 thousand. As a result, the Group's equity interest in Papyrus increased from 25 to 100%, granting it control of Papyrus (see Note 17).

Taking control of Papyrus will enable the Group to modernise its production process through access to Papyrus's patented technology. The acquisition is also expected to provide the Group with an increased share of the standard paper market through access to Papyrus's customer base. The Group also expects to reduce costs through economies of scale.

AASB 1060.142(e)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

In thousands of dollars	**Note**	
Property, plant and equipment	15(A)	**1,955**
Intangible assets	16(A)	**250**
Inventories		**825**
Trade receivables		**848**
Cash and cash equivalents		**375**
Loans and borrowings		**(500)**
Deferred tax liabilities	10(D)	**(79)**
Contingent liabilities	23	**(20)**
Site restoration provision	23	**(150)**
Trade and other payables		**(460)**
Total identifiable net assets acquired		**3,044**

Goodwill arising from the acquisition has been recognised as follows.

In thousands of dollars	**Note**	**2022**
Consideration transferred		**2,935**
Fair value of pre-existing interest in Papyrus		**650**
Fair value of identifiable net assets		**(3,044)**
Goodwill	16(A)	**541**

The remeasurement to fair value of the Group's existing 25% interest in Papyrus resulted in a gain of $250 thousand ($650 thousand less the $420 thousand carrying amount of the investment in associate at the date of acquisition plus $20 thousand of translation reserve reclassified to profit or loss). This amount has been included in 'finance income' (see Note 8).

AASB 1060.142(g)

The goodwill is attributable mainly to the skills and technical talent of Papyrus's work force and the synergies expected to be achieved from integrating the company into the Group's existing standard papers business.

AASB 1060.104(b)

a. When a parent entity controls another entity but does not own, directly or indirectly through subsidiaries, more than half of the voting power, it discloses the basis for concluding that control exists.

Notes to the consolidated financial statements (continued)

27. Leases

See accounting policy in Note 35(R).

A. Leases as lessee

AASB 1060.144(c)

The Group leases warehouse and factory facilities. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

In 2022, one of the leased properties has been sub-let by the Group. The lease and sub-lease expire in 2023.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

AASB 16.47(a)(ii)

Right-of-use assets related to leased properties are presented as property, plant and equipment (see Note 15(A)).

	In thousands of dollars	Land and buildings	Production equipment	Total
AASB 1060.144(a)	Balance at 1 July 2021	**2,181**	**1,972**	**4,153**
AASB 1060.145	Additions to right-of-use assets	**150**	**-**	**150**
AASB 1060.145	Depreciation charge for the year	**(338)**	**(283)**	**(621)**
	Derecognition of right-of-use assets*	**(89)**	**-**	**(89)**
AASB 1060.144(a)	**Balance at 30 June 2022**	**1,904**	**1,689**	**3,593**

* Derecognition of the right-of-use asset in 2022 is as a result of entering into a finance sub-lease.

ii. Amounts recognised in profit or loss

	In thousands of dollars	2022	2021
AASB 1060.146(b)	Expenses relating to short-term leases and leases of low-value assets that are not recognised as right-of-use assets	**145**	141

iii. Extension options

AASB 1060.144(c)

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

iv. Future lease payments

AASB 1060.144(b)

The total of future lease payments (including those lease payments that are not included in the measurement of the lease liability, e.g. for short-term leases and leases of low-value items) are disclosed for each of the following periods.

In thousands of dollars	2022	2021
Less than one year	**1,145**	531
One to five years	**2,413**	1,124
More than five years	**2,139**	1,531
	5,697	3,186

Notes to the consolidated financial statements (continued)

27. Leases (continued)

B. Leases as lessor

i. Finance lease

AASB 1060.147(f)

In 2022, the Group has sub-leased a building that had previously been presented as part of a right-of-use asset – property, plant and equipment.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	In thousands of dollars	2022	2021
AASB 1060.147(a)(i)	Less than one year	**40**	-
AASB 1060.147(a)(ii)	One to five years	**80**	-
AASB 1060.147(a)(iii)	More than five years	**-**	-
	Total undiscounted lease receivable	**120**	-
AASB 1060.147(b)	Unearned finance income	**9**	-
	Net investment in the lease	**111**	-

28. Commitments

AASB 1060.135(b), 138(d)

In 2022, the Group entered into a contract to purchase property, plant and equipment and patents and trademarks in 2022 for $1,465 thousand (2021: nil) and $455 thousand (2021: nil) respectively.

The Group is committed to incurring other capital expenditure of $141 thousand (2021: $41 thousand). These commitments are expected to be settled in 2023.

29. Contingencies

AASB 1060.97, 154

A subsidiary is defending an action brought by an environmental agency in Australia. Although liability is not admitted, if the defence against the action is unsuccessful, then fines and legal costs could amount to $950 thousand, of which $250 thousand would be reimbursable under an insurance policy. Based on legal advice, management believes that the defence against the action will be successful.

AASB 1060.142(e)

As part of the acquisition of Papyrus, the Group recognised a contingent liability of $20 thousand in respect of a claim for contractual penalties made by one of Papyrus's customers (see Note 26).

Notes to the consolidated financial statements (continued)

30. Related parties[a]

A. Parent and ultimate controlling party

AASB 1060.192

In 2022, a majority of the Company's shares were acquired by Cameron Paper Co from Brown Products Corporation. As a result, the new ultimate controlling party of the Group is AJ Pennypacker. The previous ultimate controlling party was Sigma Australia Investment Holdings.[b]

B. Transactions with key management personnel

i. Key management personnel compensation

AASB 1060.194

Key management personnel compensation comprised short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits and share-based payments.

In dollars	**2022**	**2021**
Total key management personnel compensation	**1,127,500**	775,250

AASB 199(c)

ii. Key management personnel transactions

Directors of the Company control 12% of the voting shares of the Company.

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

AASB 1060.198(b)(i)

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel-related companies on an arm's length basis.

AASB 1060.198(a)-(b)

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows.

In dollars		**Transaction values for the year ended 30 June**		**Balance outstanding as at 30 June**	
Transaction	***Note***	**2022**	**2021**	**2022**	**2021**
Legal fees	*(a)*	**12,250**	12,750	**-**	-
Repairs and maintenance	*(b)*	**409,950**	519,750	**136,900**	351,250
Inventory purchases – paper	*(c)*	**66,000**	-	**-**	-

AASB 1060.198(b)(i), 202

a. The Group used the legal services of one of its directors in relation to advice over the sale of certain non-current assets of the Company. Amounts were billed based on market rates for such services and were due and payable under normal payment terms.

b. In 2021, the Group entered into a two-year contract with On-Track Pty Ltd, a company controlled by another director, to buy repairs and maintenance services on production equipment. The total contract value is $986 thousand. The contract terms are based on market rates for these types of services and amounts are payable on a quarterly basis for the duration of the contract.

c. The Group bought various paper supplies from FabSupplies Pty Ltd, a company that is controlled by another director. Amounts were billed based on market rates for such supplies and were due and payable under normal payment terms.

From time to time directors of the Group, or their related entities, may buy goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

ASIC Instrument 2016/191

a. Where an entity applies the rounding relief available in ASIC Instrument 2016/191, certain amounts are required to be rounded to a lower level. ASIC Instrument 2016/191 specifies those amounts with reference to particular disclosure paragraphs in AAS (e.g. AASB 2.50, AASB 124.17). The ASIC Instrument has not been updated for the equivalent paragraphs in AASB 1060 where an entity applies Tier 2 – Simplified Disclosures. This guide applies the requirements in the legislative instrument as if it refers to the corresponding disclosure requirements in AASB 1060.

AASB 1060.192

b. The Company's parent produces consolidated financial statements that are available for public use. If neither the Company's parent nor its ultimate controlling party produced consolidated financial statements available for public use, then the Company would disclose the name of the next most senior parent that does so. If neither the ultimate controlling party nor any intermediate controlling party produced consolidated financial statements that are available for public use, then this fact would be disclosed.

Notes to the consolidated financial statements (continued)

30. Related parties (continued)

C. Other related party transactions[a]

AASB 1060.198(a)-(b)

In dollars	Transaction values for the year ended 30 June 2022	2021	Balance outstanding as at 30 June 2022	2021
Sale of goods and services				
Parent of the Group – Cameron Paper Co (2021: Brown Products Corporation) (AASB 1060.199(a))	**350,233**	319,976	**252,753**	282,683
Associates (AASB 1060.199(b))	**400,219**	149,685	**331,982**	232,593
Others				
Associates				
– Loan and related interest	**5,000**	6,000	**-**	1,000,000

AASB 1060.198(b)-(d), 202

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within two months of the reporting date. None of the balances is secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. In 2022, there were no transactions or outstanding balances with Brown Products Corporation, the previous parent of the Group. No guarantees have been given or received.

AASB 1060.201

Purchase obligations in relation to recycled paper products arise from supply and service contracts signed by the Group. In 2022, the Group entered into an $89,000 supply agreement with Cameron Paper Co. At 30 June 2022, the Group has used $25,000 of its commitment under the agreement.

a. Transactions between subsidiaries in the consolidated group, which are eliminated on consolidation, need not be disclosed.

Notes to the consolidated financial statements (continued)

31. Deed of cross guarantee[a,b]

ASIC Instrument 2016/785

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

ASIC Instrument 2016/785 Condition 6(v)(i)-(ii)

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

ASIC Instrument 2016/785 Condition 6(v)(i)-(ii)

The subsidiaries subject to the Deed are:

– Paper AU Pty Ltd
– Paper Pulp Pty Ltd

ASIC Instrument 2016/785 Condition 6(v)(i), (iii)-(iv)

Paper AU Pty Ltd Limited became a party to the Deed on 1 January 2021, by virtue of a Deed of Assumption. Tasman Trust was released from its obligations under the Deed by executing Revocation Deeds on 30 March 2022.

Paper Pulp Pty Ltd obtained relief pursuant to the Instrument for the year ended 30 June 2021; however, whilst still a party to the Deed, is not eligible for relief in the current year as it has become a small proprietary company. It was a large proprietary company in the previous financial year.

ASIC Instrument 2016/785 Condition 6(v)(i), (v)-(vi)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2021 is set out as follows:

ASIC Instrument 2016/785

a. Summarised consolidated income statement and balance sheet disclosures for each of the following groups of entities as at the reporting date must be included in the consolidated financial statements of the Holding Entity:

– the Closed Group
– the group comprising the Holding Entity and all of its controlled entities that are parties to the Deed of Cross Guarantee (i.e. including controlled entities not wholly owned)
– parties to the Deed of Cross Guarantee which are not controlled entities (either individually or in aggregate).

In some circumstances, the disclosures required for each of the above will not differ as all the parties to the Deed of Cross Guarantee will be members of the Closed Group. This is the case in *Example Simplified Disclosures Proprietary Limited* group.

These are only the financial report conditions for obtaining relief under the legislative instrument. The legislative instrument must be referred to for full details and conditions.

ASIC Instrument 2016/785

b. Comparative information is only required when the holding entity was a holding entity in a Deed of Cross Guarantee at any time during the immediately preceding year.

ASIC Instrument 2016/785 Condition 6(v)(v)-(vi)

Notes to the consolidated financial statements (continued)

31. Deed of cross guarantee (continued)

Statement of profit or loss and other comprehensive income and retained earnings

In thousands of dollars	For the year ended 30 June 2022	2021
Continuing operations		
Revenue	xx	xx
Cost of sales	xx	xx
Gross profit	xx	xx
Other income	xx	xx
Selling and distribution expenses	xx	xx
Administrative expenses	xx	xx
Research and development expenses	xx	xx
Other expenses	xx	xx
Operating profit	xx	xx
Finance income	xx	xx
Finance costs	xx	xx
Net finance costs	xx	xx
Share of profit of associates, net of tax	xx	xx
Profit before tax	xx	xx
Income tax expense	xx	xx
Profit from continuing operations	xx	xx
Discontinued operations	xx	xx
Profit (loss) from discontinued operation, net of tax	xx	xx
Profit for the period	xx	xx
Other comprehensive income		
Items that are or will be reclassified to profit or loss when specific conditions are met, net of tax	xx	xx
Foreign operations – foreign currency translation differences	xx	xx
Net investment hedge – net loss	xx	xx
Cash flow hedges – effective portion of changes in fair value	xx	xx
Cash flow hedges – reclassified to profit or loss	xx	xx
Reclassification of foreign currency differences on loss of significant influence	xx	xx
	xx	xx
Share of OCI of associates	xx	xx
Other comprehensive income for the period, net of tax	xx	xx
Total comprehensive income for the period, net of tax	xx	xx
Retained earnings at the beginning of period	xx	xx
Transfers to and from reserves	xx	xx
Dividends recognised during the period	xx	xx
Retained earnings at end of year	xx	xx

Notes to the consolidated financial statements (continued)

31. Deed of cross guarantee (continued)

Statement of financial position

In thousands of dollars	2022	2021
Assets		
Cash and cash equivalents	**xx**	xx
Trade and other receivables	**xx**	xx
Other financial assets	**xx**	xx
Inventories	**xx**	xx
Current tax assets	**xx**	xx
Assets held for sale	**xx**	xx
Current assets	**xx**	xx
Other financial assets	**xx**	xx
Property, plant and equipment	**xx**	xx
Intangible assets	**xx**	xx
Investments in associates	**xx**	xx
Deferred tax assets	**xx**	xx
Non-current assets	**xx**	xx
Total assets	**xx**	xx
Liabilities		
Bank overdraft	**xx**	xx
Trade and other payables	**xx**	xx
Other financial liabilities	**xx**	xx
Current tax liabilities	**xx**	xx
Provisions	**xx**	xx
Liabilities held for sale	**xx**	xx
Current liabilities	**xx**	xx
Other financial liabilities	**xx**	xx
Deferred tax liabilities	**xx**	xx
Provisions	**xx**	xx
Deferred income	**xx**	xx
Non-current liabilities	**xx**	xx
Total liabilities	**xx**	xx
Net assets	**xx**	xx
Equity		
Share capital	**xx**	xx
Reserves	**xx**	xx
Retained earnings	**xx**	xx
Total Equity	**xx**	xx

Notes to the consolidated financial statements (continued)

32. Parent entity disclosures[a,b]

S295(2), S295(3), Reg 2M.3.01

As at, and throughout, the financial year ended 30 June 2022 the parent entity of the Group was Example Simplified Disclosures Proprietary Limited.

Reg 2M.3.01(1)(k)

	In thousands of dollars	2022	2021
	Results of the parent		
Reg 2M.3.01(f)	Profit for the period	**xx**	xx
	Other comprehensive income	**xx**	xx
Reg 2M.3.01(g)	**Total comprehensive income for the period**	**xx**	xx
	Financial position of parent entity at year end		
Reg 2M.3.01(a)	Current assets	**xx**	xx
Reg 2M.3.01(b)	**Total assets**	**xx**	xx
Reg 2M.3.01(c)	Current liabilities	**xx**	xx
Reg 2M.3.01(d)	**Total liabilities**	**xx**	xx
Reg 2M.3.01(e)	**Total equity of the parent entity comprising of:**		
	Share capital	**xx**	xx
	Reserves	**xx**	xx
	Retained earnings	**xx**	xx
	Total Equity	**xx**	xx

Parent entity contingent liabilities

Reg 2M.3.01(1)(f)

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

In thousands of dollars	*Note*	2022	2021
Contingent liabilities not considered remote			
Litigation	*(a)*	**xx**	xx
Performance guarantees	*(b)*	**xx**	xx
GST liabilities of other entities within the GST group		**xx**	xx
Tax liabilities of other entities within the tax consolidated group		**xx**	xx

(a) The parent entity is defending an action brought by an environmental agency in Australia. Although liability is not admitted, if the defence against the action is unsuccessful, then fines and legal costs could amount to $950 thousand, of which $250 thousand would be reimbursable under an insurance policy. Based on legal advice, the directors do not expect the outcome of the action to have a material effect on the parent entity's financial position. In the director's opinion, disclosure of any further information would be prejudicial to the interests of the Group.

(b) The Group has guaranteed, to an unrelated party, the performance of a subsidiary in relation to a contract for the supply of paper. In the event of default, the terms of the contract contain a minimum compensation payment to the unrelated party of $600,000. The contract is due to be fulfilled by 30 June 2023.

Reg 2M.3.01(1)(j)

Parent entity capital commitments or acquisition of property, plant and equipment

During the year, the Company entered into contracts to purchase plant and equipment for $[ ] thousand (2021: $[ ] thousand).

Reg 2M.3.01(1)(h)

Parent entity guarantees in respect of the debt of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 31.

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a. Parent entities that are APRA regulated or hold an Australian Financial Services License are recommended to continue to present the parent entity financial statements and notes in the group annual report.

INT 1052

b. When a tax funding agreement is in place with a head entity, the entity provides relevant disclosures under Interpretation 1052 *Tax Consolidation Group*.

Notes to the consolidated financial statements (continued)

33. Auditors' remuneration[a,b,c,d]

ASIC Instrument 2016/191

In dollars		2022	2021
	Audit and review services		
	Auditors of the Group – KPMG		
	– Audit and review of financial statements – Group[e]	**658,900**	524,360
	– Audit and review of financial statements – controlled entities[e]	**1,049,600**	689,890
AASB 1060.98(a)		**1,708,500**	1,214,250
	Other auditors		
AASB 1060.98(a)	– Audit and review of financial statements	**12,260**	11,310
	Assurance services[f]		
	Auditors of the Group – KPMG		
AASB 1060.99	– Regulatory assurance services[f,g]	**43,410**	30,860
AASB 1060.99	– Other assurance services[f,g]	**460,510**	491,370
AASB 1060.98(b)		**503,920**	522,230
	Other auditors		
AASB 1060.98(b), 99	– Other assurance services[f,h]	**2,000**	2,000
	Other services[f,i]		
	Auditors of the Group – KPMG		
AASB 1060.98(b), 99	– Taxation advice and tax compliance services	**114,320**	96,350
	Other auditors		
AASB 1060.98(b), 99	– Valuation services	**25,000**	23,000

a. Where an entity applies the rounding relief available in ASIC Instrument 2016/191, certain amounts are required to be rounded to a lower level. ASIC Instrument 2016/191 specifies those amounts with reference to particular disclosure paragraphs in AAS (e.g. AASB 2.50, AASB 124.17). The ASIC Instrument has not been updated for the equivalent paragraphs in AASB 1060 where an entity applies Tier 2 – Simplified Disclosures. This guide applies the requirements in the legislative instrument as if it refers to the corresponding disclosure requirements in AASB 1060.

b. This illustrative disclosure excludes auditors' remuneration for associates. An entity may want to separately disclose auditors' remuneration for associates, in which case we recommend additional line items be included within each section for transparency.

c. Although it is not required, this categorisation of fees to auditors is encouraged by ASIC to aid in the consistent and transparent reporting of audit and non-audit fee information.

d. Disclosures are required regardless of whether the entity or a related entity make the payments. Where fees are paid on behalf of the entity by a related party outside the consolidated entity, disclosure as a related party transaction is required.

e. ASIC encourages fees paid to the Group auditor to be split out separately for those relating to auditing the statutory financial report of the parent covering the consolidated group; and those relating to auditing the statutory financial reports of any controlled entities. This disclosure is provided for illustrative purposes only.

f. Although it is not required, ASIC encourages entities to split fees for assurance services from fees for non-assurance services. They also encourage assurance services to be further split between "regulatory assurance services" and "other assurance services". This disclosure is provided for illustrative purposes only.

AASB 1060.99 — An entity is required to describe the nature of all services provided that do not related to the audit or review of the financial statements. There is no requirement to provide an amount for each non-audit services.

g. Regulatory assurance services are those that are required under legislation and are performed by the auditor, for example, Form FS 71 and AFS licensee, workers compensation, APRA reports, US Sarbanes-Oxley Act of 2002 Section 404, franchising code of conduct and retirements villages.

h. Other assurance services are fees for other assurance services other than those included under regulatory assurance, such as those required under contractual agreements. Examples include assurance on revenue information relevant to a royalty agreement, sustainability assurance reporting and capital raisings.

i. Other services are services that do not fall within regulatory or other assurance services, e.g. tax advice, tax compliance, consulting.

Notes to the consolidated financial statements (continued)

34. Subsequent events

A. Restructuring

AASB 1060.187-188

At the end of July 2022, the Group announced its intention to implement a cost-reduction programme and to take further measures to reduce costs. Additionally, to enable the Group to adapt its size to current market conditions, it intends to reduce the Group's workforce by 400 positions worldwide by the end of 2022/23, by means of non-replacement whenever possible. The Group expects the restructuring associated with the reduction in positions to cost between $600 thousand and $850 thousand in 2023 and 2024.

B. Others

Subsequent to 30 June 2022, one of the Group's major trade customers went into liquidation following a natural disaster in August 2022 that damaged its operating plant. Of the $100 thousand owed by the customer, the Group expects to recover less than $10 thousand. No additional allowance for impairment has been made in these consolidated financial statements.

On 10 July 2022, one of the premises of the Group's material subsidiary, having a carrying amount of $220 thousand, was seriously damaged by fire. Surveyors are in the process of assessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance company. The Group is unable to estimate the incremental costs relating to refurbishment and temporary shift of production to other locations (in excess of the reimbursement expected).

As explained in Note 20(B), the Group breached a financial loan covenant associated with a bank loan in the first quarter of 2022. The Group obtained a waiver for the breach of covenant in April 2022 for a period of 18 months. Subsequent to 30 June 2022, the bank revised the loan covenant ratio and the waiver was lifted.

On 22 January 2022, the Group announced its intention to acquire all of the shares of ABC Company for $6,500 thousand. On 4 July 2022, the Group's shareholders approved the transaction and the Group is now awaiting approval from regulatory authorities before proceeding with the acquisition. Management anticipates that this approval will be received by October 2022.

Notes to the consolidated financial statements (continued)

AASB 1060.95–96

35. Significant accounting policies[a]

New and amended standards adopted by the Group[b,c]

AASB 1060.106

The Group has initially adopted the following standard and amendments from 1 July 2021[d]:

– AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*;
– AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

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

A number of other new standards are also effective from 1 July 2021 but they do not have a material effect on the Group's financial statements.

Significant accounting policies

Apart from the above, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

AASB 1060.18, AASB 5.34

Certain comparative amounts in the statement of profit or loss and OCI have been re-presented as a result of an operation discontinued during the current year (see Note 5).

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

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a. The example accounting policies illustrated reflect the circumstances of the Group on which these financial statements are based, by describing only the specific policies that are relevant to an understanding of the Group's consolidated financial statements. For example, the accounting policy for preference shares (Note 35(N)(ii)) is not intended to be a complete description of the classification of such shares in general. These example accounting policies should not be relied on for a complete understanding of Australian Accounting Standards and should not be used as a substitute for referring to the standards and interpretations themselves. To help you identify the underlying requirements in Australian Accounting Standards, references to the recognition and measurement requirements in Australian Accounting Standards that are relevant for a particular accounting policy have been included and indicated by square brackets – e.g. [AASB 3.19].

AASB 1060.107

b. Where an entity selects a transition option under another Standard and there are specific transition disclosure requirements in that Standard, the entity applies the full transition disclosure requirements in that Standard instead of the requirements in paragraph 106.

c. Refer to Standards on Issue for a full list and details of all standards (including amending standards) and respective effective dates.

d. An entity may have adopted AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19 Rent Concessions beyond 30 June 2021* for the first time.. This fact and any impact are also disclosed.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

A. Basis of consolidation

i. Business combinations

[AASB 3.3–4, 32, 34, 53, B5–B12]

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see (A)(ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified reassessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see (P)(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see (N)).

[AASB 3.40, 58]

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii. Subsidiaries

[AASB 10.6, 20]

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Loss of control

[AASB 10.25, B97–B99]

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

AASB 1060.125(a)

iv. Investments in associates[a]

[AASB 128.3]

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

[AASB 128.10, 16, 22]

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of associates, until the date on which significant influence ceases.

v. Transactions eliminated on consolidation

[AASB 10.B86(c), AASB 128.28–29]

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Insights 3.5.430.30

a. In the absence of specific guidance in the Standards, the Group has elected to eliminate unrealised gains and losses resulting from transactions with associates against the investment in associates. Alternatively, the elimination may be presented as a reduction in the underlying asset – e.g. inventory.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

B. Foreign currency

i. Foreign currency transactions

[AASB 121.21]

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

[AASB 121.23, 28, 30, 32]

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

[AASB 9.B5.7.3]

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (M)(v)); and
- qualifying cash flow hedges to the extent that the hedges are effective.

ii. Foreign operations

[AASB 121.39]

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into dollars at the exchange rates at the dates of the transactions.

[AASB 121.41]

Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

[AASB 121.48–49]

When a foreign operation is disposed of in its entirety or partially such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

C. Discontinued operation

[AASB 5.32]

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

AASB 5.34

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

D. Revenue from contracts with customers

AASB 1060.157(a), 158

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies. For the accounting policy for onerous contracts, see Note 35(Q).

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Methods used to recognise revenue for performance obligations satisfied over time[b]
Standard paper products	Customers obtain control of standard paper products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30 days. No discounts are provided for standard paper products. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.	
Made-to-order paper products	The Group has determined that for made-to-order paper products, the customer controls all of the work in progress as the products are being manufactured. This is because under those contracts paper products are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Invoices are issued according to contractual terms and are usually payable within 30 days. Uninvoiced amounts are presented as contract assets.	Revenue and associated costs are recognised over time – i.e. before the goods are delivered to the customers' premises. Progress is determined based on the cost-to-cost method.
Managing forest resources services and related services	Invoices for forestry services are issued on a monthly basis and are usually payable within 30 days.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on surveys of work performed. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

AASB 1060.158, BC68 **a.** An entity is required to disclose the methods used to recognise revenue only for performance obligations satisfied over time and not for performance obligations satisfied at a point in time.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

E. Employee benefits

i. Short-term employee benefits

[AASB 119.11]

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Share-based payment arrangements

[AASB 2.30, 32]

The fair value of the amount payable to employees in respect of share appreciation rights (SARs), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in profit or loss.

iii. Defined contribution plans

[AASB 119.51]

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iv. Other long-term employee benefits

[AASB 119.155–156]

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

v. Termination benefits

[AASB 119.165]

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

AASB 1060.160(d)

F. Government grants

[AASB 120.7, 24–26]

The Group initially recognises government grants related to assets as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

[AASB 120.12, 20, 29]

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

G. Finance income and finance costs[a]

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- dividend expense on preference shares issued classified as financial liabilities;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortised cost;
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;
- the fair value loss on contingent consideration classified as a financial liability;
- hedge ineffectiveness recognised in profit or loss; and
- the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of foreign currency risk for borrowings).

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

[AASB 9.5.4.1–5.4.2, A]

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

H. Income tax

[AASB 112.58]

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

i. Current tax

[AASB 112.2, 12, 46, INT 23.11]

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

[AASB 112.71]

Current tax assets and liabilities are offset only if certain criteria are met.

Insights 7.10.70.20

a. There is no guidance in the Standards on what is included in finance income and finance costs and the Group has disclosed as part of its accounting policy which items constitute finance income and finance costs.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

H. Income tax (continued)

ii. Deferred tax

[AASB 112.15, 24, 39, 44]

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
– temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
– taxable temporary differences arising on the initial recognition of goodwill.

[AASB 112.56]

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

[AASB 112.37]

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

[AASB 112.47, INT 23.11]

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

[AASB 112.51]

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

[AASB 112.74]

Deferred tax assets and liabilities are offset only if certain criteria are met.

AASB 1060.123(a)

I. Inventories

[AASB 102.9, 25]

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

J. Property, plant and equipment

AASB 1060.134(a)

i. Recognition and measurement

[AASB 1.D5, AASB 116.30]

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2005, the Group's date of transition to the Standards, was determined with reference to its fair value at that date.

[AASB 116.45]

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

[AASB 116.41, 71]

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

J. Property, plant and equipment (continued)

ii. Subsequent expenditure

[AASB 116.13]

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

AASB 1060.134(b)-(c)

iii. Depreciation

[AASB 116.53, 58, 60]

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

– buildings:	40 years
– plant and equipment:	3–12 years
– fixtures and fittings:	5–10 years.

[AASB 116.51]

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

K. Intangible assets

i. Recognition and measurement

[AASB 138.107–108] **Goodwill**	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
[AASB 138.54–55] *[AASB 138.57, 71, 74]* **Research and development**	Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.
[AASB 138.74] **Other intangible assets**	Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

[AASB 138.18]

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

AASB 1060.137(a)-(b)

iii. Amortisation

[AASB 138.97]

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

– patents and trademarks:	3–20 years
– development costs:	2–5 years
– customer relationships:	4–5 years.

[IAASB 138.104]

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

L. Assets held for sale

[AASB 5.6] Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

[AASB 5.15–15A, 18–23] Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

[AASB 5.25, AASB 128.20] Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any interest in associate is no longer equity accounted.

AASB 1060.112

M. Financial instruments

i. Recognition and initial measurement

[AASB 9.3.1.1] Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

[AASB 9.5.1.1, 5.1.3] A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

[AASB 9.4.1.1] On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

[AASB 9.4.4.1, 5.6.1] Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

[AASB 9.4.1.2] A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

[AASB 9.4.1.5] Financial assets not classified as measured at amortised cost as described above are measured at FVTPL (see Note 24(A)). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

M. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Business model assessment

[AASB 9.B4.1.2]

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level[a] because this best reflects the way the business is managed and information is provided to management. The information considered includes:

[AASB 9.B4.1.2B–C, B4.1.4A, B4.1.5]

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.[b]

[AASB 9.B4.1.6]

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

[AASB 9.4.1.3, B4.1.7A–B, B4.1.9A–E]

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

[AASB 9.B4.1.11(b), B4.1.12]

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

AASB 9.B4.1.1–B4.1.2, Insights 7.4.70.30

a. The objective of the entity's business model is not based on management's intentions with respect to an individual instrument, but rather is determined at a higher level of aggregation. The assessment needs to reflect the way that an entity manages its business or businesses. A single reporting entity may have more than one business model for managing its financial instruments.

Insights 7.4.110.50

b. AASB 9 does not provide specific guidance for business model assessment related to portfolios of financial assets for which the entity's objectives include transfers of financial assets to third parties in transactions that do not qualify for derecognition. In our view, whether such a portfolio is considered consistent with a held-to-collect business model depends on the circumstances.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

M. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses

[AASB 9.5.7.1]	**Financial assets at FVTPL**	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 35(M)(v) for derivatives designated as hedging instruments.
[AASB 9.5.7.2]	**Financial assets at amortised cost**	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

[AASB 9.5.7.1] Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

See Note 35(M)(v) for financial liabilities designated as hedging instruments.

iii. Derecognition

Financial assets

[AASB 9.3.2.3–6] The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

[AASB 9.3.2.6(b)] The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

[AASB 9.3.3.1–2] The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

[AASB 9.3.3.3] On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

[AASB 132.42] Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

M. Financial instruments (continued)

v. Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

[AASB 9.4.3.3]

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

[AASB 9.5.1.1, 5.2.1(c)]

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

[AASB 9.6.4.1]

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

[AASB 9.6.5.11, 6.5.16]

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates the full change in fair value of the forward exchange contracts (including forward points) as the hedging instrument in cash flow hedging relationships, and recognises the gains or losses relating to the effective portion of the change in fair value of the entire forward contract in the cash flow hedge reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

[AASB 9.6.5.6–7, 6.5.12]

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

Net investment hedges

[AASB 9.6.5.13–14]

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

N. Share capital

i. Ordinary shares

[AASB 132.35–35A]

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with AASB 112 (see Note 35(H)).

ii. Preference shares

[AASB 132.AG25–AG26]

The Group's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

O. Compound financial instruments

[AASB 132.28–32]

Compound financial instruments issued by the Group comprise convertible notes denominated in dollars that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

[AASB 9.5.1.1, AASB 132.38, AG31]

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

[AASB 9.5.3.1]

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

[AASB 132.AG32]

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

P. Impairment

i. Financial assets

Financial instruments and contract assets

[AASB 9.5.5.1]

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets.

The Group also recognises loss allowances for ECLs on lease receivables, which are disclosed as part of trade and other receivables.

[AASB 9.5.5.3, 5.5.5, 5.5.11, 5.5.15–16]

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– debt securities that are determined to have low credit risk at the reporting date; and
– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.[a]

AASB 9.5.5.15

a. For lease receivables, contract assets and trade receivables with a significant financing component, an entity can choose as an accounting policy either to apply the general model for measuring the loss allowance or always to measure the loss allowance at an amount equal to the lifetime ECLs. The Group has chosen the latter policy.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

P. Impairment (continued)

i. Financial assets (continued)

Financial instruments and contract assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

[AASB 9.5.5.19, B5.5.38]

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

[AASB 9.5.5.17, A, B5.5.28–30, B5.5.33]

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

[AASB 9.5.5.1–5.5.2]

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

ii. Non-financial assets

[AASB 136.9–10, 59]

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

[AASB 136.22, 80]

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

[AASB 136.6, 30]

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

[AASB 136.59]

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

[AASB 136.104]

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

[AASB 136.117, 122, 124]

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

Q. Provisions

[AASB 137.14, 45, 47, INT 1.8]

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

[AASB 137.39]	**Warranties**	A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.
[AASB 137.72]	**Restructuring**	A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.
[AASB 137.21]	**Site restoration**	In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.
[AASB 137.66, 68]	**Onerous contracts**	A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see (P)(ii)).

R. Leases

[AASB 16.9]

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. 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.

i. As a lessee

[AASB 16.13-15, 45]

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

[AASB 16.22–24]

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

[AASB 16.29–33]

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

[AASB 16.26]

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

AASB 1060.91(c)

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

[AASB 16.27]

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

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Notes to the consolidated financial statements (continued)

35. Significant accounting policies (continued)

R. Leases (continued)

i. As a lessee (continued)

[AASB 16.36, 40, 42] The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

[AASB 16.39] When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

[AASB 16.47–48] The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

ii. As a lessor

[AASB 16.17] At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

[AASB 16.61–62] When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

[AASB 16.63] To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

[AASB 16.B58] When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

[AASB 16.17] If an arrangement contains lease and non-lease components, then the Group applies AASB 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract.

[AASB 16.77] The Group applies the derecognition and impairment requirements in AASB 9 *Financial Instruments* to the net investment in the lease (see Note 35(P)(i)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

S. Fair value measurement

[AASB 13.9, 24, 42] 'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

[AASB 13.77, 79, A] When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

[AASB 13.61–62] If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

[AASB 13.70–71] If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Directors' declaration

S295(4)

1. In the opinion of the directors of [Example Simplified Disclosures Proprietary Limited] ('the Company'):

   (a) the Company is not publicly accountable;

   (b) the consolidated financial statements and notes that are set out on pages [xx] to [xxx] are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards – Simplified Disclosure Requirements and the *Corporations Regulations 2001*; and

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

2. There are reasonable grounds to believe that the Company and the group entities identified in Note [ ] will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

S295(5)

Signed in accordance with a resolution of the directors:

Dated at…… ……[city]…………day of……………………………2022.

____

[Director_name]

Director

Independent audit report to the members of Example Simplified Disclosures Proprietary Limited

[To be provided by Auditor]

Appendices

Appendix 1 – Consolidated statement of income and retained earnings

AASB 1060 allows an entity to present a combined statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy. This appendix provides an illustration of such a statement.

AASB 1060.26, 30, 62

Consolidated statement of income and retained earnings

AASB 1060.31(c)

AASB 1060.20-21, 28-29, 31(d), , 49(a), 51, 56, 92

Reference	In thousands of dollars	Note	For the year ended 30 June 2022	2021
	Continuing operations			
AASB 1060.52(a)	Revenue	6	**102,400**	96,417
AASB 1060.58(b)	Cost of sales		**(57,461)**	(56,186)
	Gross profit		**44,939**	40,231
	Other income	7(A)	**264**	16
AASB 1060.58(b)	Selling and distribution expenses		**(18,322)**	(15,865)
AASB 1060.58(b)	Administrative expenses		**(17,732)**	(14,428)
AASB 1060.58(b), 139	Research and development expenses		**(1,109)**	(697)
AASB 1060.58(b)	Other expenses	7(B)	**(870)**	(190)
	Operating profit		**7,170**	9,067
	Finance income		**1,034**	369
AASB 1060.52(b)	Finance costs		**(1,867)**	(1,616)
	Net finance costs	8	**(833)**	(1,247)
AASB 1060.52(c)	Share of profit of associates, net of tax	17	**(49)**	315
	Profit before tax		**6,288**	8,135
AASB 1060.52(d), AASB 112.77	Income tax expense	10	**(1,837)**	(2,223)
	Profit from continuing operations		**4,451**	5,912
	Discontinued operation			
AASB 1060.52(e)	Profit (loss) from discontinued operation, net of tax		**379**	(422)
AASB 1060.52(f), 53(a)(ii)	**Profit for the period**		**4,830**	5,490
	Retained earnings			
AASB 1060.63(a)	Retained earnings at the beginning of the reporting period		21,337	16,421
AASB 1060.63(c)	Restatement of retained earnings for correction of prior period error		-	-
AASB 1060.63(d)	Restatement of retained earnings for change in accounting policy		-	-
AASB 1060.63(b)	Dividends		(1,243)	(571)
AASB 1060.63(e)	**Retained earnings at the end of the reporting period**		**24,937**	21,337

The notes on pages xx to xxx are an integral part of these consolidated financial statements.

The basis of preparation (Note 2) for the financial statements of Example Simplified Disclosures Proprietary Limited is prepared on the basis that all recognition and measurement requirements of Australian Accounting Standards (including consolidation and equity accounting) have been applied during the preparation of the prior year special purpose financial statements.

This Appendix provides illustrative disclosures for an entity adopting GPFS-Tier 2 SD for the first time having prepared special purpose financial statements for its most recent financial statements. Specifically, it assumes a fact pattern where in the prior year Example Simplified Disclosures Proprietary Limited prepared parent only separate financial statements. In the prior year financial statements, it complied with all recognition and measurement requirements of Australian Accounting Standards except for consolidation and equity accounting. What is the impact of this? – refer to discussion below on first time preparation of consolidated financial statements.

Where you have not complied with other recognition and measurement requirements of Australian Accounting Standards, for example say lease accounting or deferred tax accounting, then you may wish to consult with your KPMG advisor.

First time preparation of consolidated financial statements

Where in the prior year's only parent separate financial statements have been prepared, but for the current reporting period group consolidated financial statements are required Example Simplified Disclosures Proprietary Limited will be required to apply AASB 1 *First-time Adoption of Australian Accounting Standards* on transition to GPFS-Tier 2 SD. In brief, AASB 1 must be applied as for the group reporting entity it is the first group set of Australian Accounting Standards financial statements.

So, the disclosure prepared on the following pages in Appendix 2 are on the basis that:

- this is the first ever group financial statements
- AASB 1 is applied
- in prior years Example Simplified Disclosures Proprietary Limited and each of its subsidiaries have complied with all recognition and measurement requirements of Australian Accounting Standards except for consolidation and equity accounting
- Example Simplified Disclosures Proprietary Limited has both an investment in a subsidiary (controlled entity) and an investment in an associate
- Example Simplified Disclosures Proprietary Limited has not elected to apply any pf the voluntary optional exemptions[1] contained with AASB 1.

AASB 1060 requirements

AASB 1060.208 requires an entity to explain how the transition from its previous financial reporting framework to Australian Accounting Standards – Simplified Disclosures affected its reported financial position, financial performance and cash flows. The scenario described above does not require this explanation as the **consolidated entity** has not previously prepared consolidated financial statements. This is the first time that the **consolidated entity** has prepared financial statements. Therefore, no previous financial reporting framework was applied by the consolidated entity.

For the same reason, the requirements of AASB 1060.210(b)-(c) do not apply. AASB 1060.210(b)-(c) require an entity's first financial statements prepared using Australian Accounting Standards – Simplified Disclosures to include:

b) reconciliations of its equity determined in accordance with its previous financial reporting framework to its equity determined in accordance with Australian Accounting Standards – Simplified Disclosures for both of the following dates:

    i. the date of transition to Australian Accounting Standards – Simplified Disclosures; and

    ii. the end of the latest period presented in the entity's most recent annual financial statements determined in accordance with its previous financial reporting framework; and

[1] Refer to *Insights into IFRS* 6.1.240.

c) a reconciliation of the profit or loss determined in accordance with its previous financial reporting framework for the latest period in the entity's most recent annual financial statements to its profit or loss determined in accordance with Australian Accounting Standards – Simplified Disclosures for the same period.

The disclosures drafted on the following pages are our view of what would be required to provide sufficient disclosure in the first group set of Australian Accounting Standards financial statements on the adoption of consolidation and equity accounting, given your financial statements are audited.

Notes to the consolidated financial statements

AASB 1060.106–108, 206-212

2. Basis of preparation

These consolidated financial statements are general purpose financial statements for distribution to the members and for the purposes of fulfilling the requirements of the *Corporations Act 2001*. They have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures made by the Australian Accounting Standards Board and the *Corporations Act 2001*.

These consolidated financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures and AASB 1 *First time adoption of Australian Accounting Standards*[a] has been applied. An explanation of how the transition to Australian Accounting Standards – Simplified Disclosures has affected the reported financial position, financial performance and cash flows of the Group is provided in Note Y.

These consolidated financial statements were authorised for issue by the Company's board of directors on [*date*].

Details of the Group's accounting policies are included in Note 35.

AASB 1053.18A, AASB 1060.106-110, 206-213

a. An entity moving from preparing special purpose financial statements to general purpose financial statements Tier 2 either applies all the relevant requirements of AASB 1 *First-time Adoption of Australian Accounting Standards* or the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* AASB 1060 specifies the disclosures required, whichever, AAS is applied on transition. Where an entity applies AASB 108 instead of AASB 1, this disclosure is amended accordingly.

Notes to the consolidated financial statements

AASB 1060.106–108, 206-212

Y. Changes in significant accounting policies and explanation of transition to consolidated general purpose financial statements

As stated in Note 2, these are the Group's first consolidated financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. Previously the parent, Example Simplified Disclosure Pty Ltd, prepared separate special purpose financial statements.

The Group has adopted AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* on 1 July 2021. On adoption of AASB 1060, the Group has applied AASB 1 *First Time Adoption of Australian Accounting Standards* with a date of initial application of 1 July 2020 (the Group's date of transition).The accounting policies set out in Note 35 have been applied in preparing the financial statements for the year ended 30 June 2022, the comparative information presented in these financial statements for the year ended 30 June 2021 and in the preparation of the opening balances for the statement of financial position as at 1 July 2020.

In applying the requirements of AASB 1, the Group has made the adjustments set out below.

Consolidation of subsidiary

The Group's investment in its subsidiary is consolidated from 1 July 2020, the date of transition. The Group has applied the option in AASB 1 to recognise goodwill on consolidation as the difference between the net assets of the subsidiary at the date of transition and the cost of the investment. Subsequent to transition, the Group accounts for its investment in subsidiary in accordance with the accounting policy described in Note 35(A).

The following table details the impact of applying this option.

Assets and liabilities of subsidiary recognised in accordance with Australian Accounting Standards

In thousand dollars	1 July 2020
Cash and cash equivalents	375
Trade and other receivables	4,848
Inventories	2,825
Property, plant and equipment	9,955
Trade and other payables	(2,460)
Other financial liabilities	(500)
Provisions	(150)
Deferred tax liabilities	(79)
Total net assets on 1 July 2020	**14,814**
Cost of investment in the subsidiary	1,464
Excess of the Group's interest in the net assets of subsidiary over the cost of investment in the subsidiary	**13,350**

Notes to the consolidated financial statements

AASB 1060.106–108, 206-212

Y. Changes in significant accounting policies and explanation of transition to consolidated general purpose financial statements (continued)

Equity accounting investment in associate [a]

The Group has a 35% share in an associate. The investment in the associate is equity accounted from 1 July 2020, the date of transition. At the date of transition, the Group has included in the carrying amount of the investment in the equity-accounted associate the difference between the Group's share of net assets of associate and the cost of the investment. Subsequent to transition, the Group accounts for its investments in associate in accordance with the accounting policy described in Note 35(A)(iv).

The following table details the impact of applying this option.

Share of assets and liabilities of associate recognised in accordance with Australian Accounting Standards

In thousand dollars	1 July 2020
Total net assets on 1 July 2020	**1,281**
Cost of investment in the associate	958
Excess of the Group's interest in the net assets of associate over the cost of investment in the associate	**323**

Reconciliation of equity [b]

In thousand dollars	1 July 2020
Equity as reported in the parent's separate financial statements	21,078
Excess of the Group's interest in the net assets of subsidiaries over the cost of investment in the subsidiary at the date of transition	13,350
Excess of the Group's interest in the net assets of associates over the cost of investment in the associate at the date of transition	323
Consolidated equity as at the date of transition to Australian Accounting Standards – Simplified Disclosures	**34,751**

a. The Group has previously accounted for its investment in its associate at cost. Where a Group previously accounted for its investment in associates at fair value through other comprehensive income (OCI), any amounts previously recognised in OCI will need to be adjusted accordingly on application of equity accounting on transition.

b. This reconciliation is not required as the consolidated entity has not previously prepared consolidated financial statements. This is the first time that the consolidated entity has prepared financial statements. Therefore, no previous financial reporting framework was applied by the consolidated entity. The explanation between equity reported in the separate special purpose financial statements of the parent and the consolidated general purpose financial statements is provided to assist users in understanding the impact of transitioning to Australian Accounting Standards – Simplified Disclosures and is for illustrative purposes only.

This Appendix provides additional considerations and illustrative disclosures for transactions, conditions and events relating to the following items, which Example Simplified Disclosures Proprietary Limited have not accounted for in the main example of this guidance:

- biological assets;
- investment property;
- equity-settled share-based payments; and
- non-controlling interests.

The sub-sections identify the relevant location in the financial statements, where an entity presents and discloses additional line items and information relating to the corresponding topic area. Also, references to AASB 1060 are provided for further details in relation to the accounting requirements affecting the relevant item.

Biological assets

Consolidated statement of financial position

— Biological assets classified into current/non-current (ref. AASB 1060.35(h))

Consolidated statement of cash flows

— Cash flow from investing activities – Purchase of non-current biological assets (ref. AASB 1060.68(a))

Note – Income and expenses

— Other income/expenses – Change in fair value of biological assets (ref. materiality, e.g. AASB 1060.21)

Note – Income taxes

— Movement in deferred tax balances – Biological assets (ref. AASB 1060.178(e))

Note – Biological assets

Example disclosures with respect to biological assets measured at fair value:

A. Reconciliation of carrying amount

	In thousands of dollars	Standing timber	Livestock	Total
AASB 1060.204(c)	Balance at 1 July 2021	3,756	300	4,056
AASB 1060.204(c)(i)	Change in fair value less costs to sell	407	180	587
AASB 1060.204(c)(ii)	Purchases	294	11	305
AASB 1060.204(c)(iii)	Harvested timber transferred to inventories	(135)	-	(135)
AASB 1060.204(c)(v)	Effect of movements in exchange rates	30	14	44
AASB 1060.204(c)(vi)	Sales of livestock	-	(127)	(127)
AASB 1060.204(c)	**Balance at 30 June 2022**	4,352	378	4,730
	Non-current	4,352	346	4,698
	Current	-	32	32
		4,352	**378**	**4,730**

B. Measurement of fair values

AASB 1060.204(a)–(b)

The following table shows the valuation techniques used in measuring fair values, as well as the significant assumptions applied.

Type	Valuation technique	Significant assumptions
Standing timber Standing timber older than 25 years (the age at which it becomes marketable)	*Discounted cash flows*: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for [*X*] years. The expected net cash flows are discounted using a risk-adjusted discount rate.	– Estimated future timber market prices per tonne (2022: $12.8–17.9, weighted average $16.25; 2021: $11.6–16.3, weighted average $15.15). – Estimated yields per hectare (2022: 6–10, weighted average 8; 2021: 5–10, weighted average 7.5). – Estimated harvest and transportation costs (2022: 6.4–8.3%, weighted average 7.5%; 2021: 6.3–7.8%, weighted average 6.7%). – Risk-adjusted discount rate (2022: 7.9–9.0%, weighted average 8.6%; 2021: 7.1–8.3%, weighted average 7.8%).
Younger standing timber	*Cost approach and discounted cash flows*: The Group considers both approaches, and reconciles and weighs the estimates under each approach based on its assessment of the judgement that market participants would apply. The cost approach considers the costs of creating a comparable plantation, taking into account the costs of infrastructure, cultivation and preparation, buying and planting young trees with an estimate of the profit that would apply to this activity. Discounted cash flows consider the present value of the net cash flows expected to be generated by the plantation at maturity, the expected additional biological transformation and the risks associated with the asset; the expected net cash flows are discounted using risk-adjusted discount rates.	– Estimated costs of infrastructure per hectare (2022: $0.8–1.1, weighted average $0.95; 2021: $0.8–1.2, weighted average $0.97). – Estimated costs of cultivation and preparation per hectare (2022: $0.2–0.4, weighted average $0.3; 2021: $0.3–0.4, weighted average $0.35). – Estimated costs of buying and planting young trees (2019: $1.0–1.3, weighted average $1.25; 2018: $1.1–1.3, weighted average $1.2). – Estimated future timber market prices per tonne (2022: $13.8–19.8, weighted average $17.05; 2021: $13.7–19.5, weighted average $16.6). – Estimated yields per hectare (2022: 6–11, weighted average 8.6; 2021: 7–11, weighted average 8.9). – Risk-adjusted discount rate (2022: 8.9–9.9%, weighted average 9.4%; 2021: 9.3–9.9%, weighted average 9.6%).
Livestock Livestock comprises cattle and sheep, characterised as commercial or breeders	*Market comparison technique*: The fair values are based on the market price of livestock of similar age, weight and market values.	Not applicable.

Where an entity measures its biological assets using the cost model, it discloses:

- a description of each class of its biological assets;
- an explanation of why fair value cannot be measured reliably;
- the depreciation method used;
- the useful lives or the depreciation rates used; and
- the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period. (ref. AASB 1060.205)

Note – Significant accounting policies

Biological assets

[AASB 141.12-13]

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

Inventories

[AASB 102.20]

The cost of standing timber transferred from biological assets is its fair value less costs to sell at the date of harvest.

Investment property

Consolidated statement of financial position

- Investment property (ref. AASB 1060.35(f))

Note: If an entity's right-of-use assets meet the definition of investment property, it presents the right-of-use assets in the statement of financial position as investment property (AASB 16.48).

Consolidated statement of cash flows

- Cash flow from investing activities – Acquisition of investment property (ref. AASB 1060.68(a))

Note – Revenue

- Other revenue – Investment property rentals (ref. materiality, e.g. AASB 1060.21)

Note – Income and expenses

- Other income/expenses – Change in fair value of investment property (ref. materiality, e.g. AASB 1060.21)

Note – Income taxes

- Movement in deferred tax balances – Investment property (ref. AASB 1060.178(e))

Note – Property, plant and equipment

If an entity carries a class of its property, plant and equipment at cost less accumulated depreciation and impairment, it makes the following additional disclosure, where relevant:

- Reconciliation of carrying amount – Transfers to/from investment property carried at FVTPL (ref. AASB 1060.134(e)(v))

Note – Investment property

Example disclosures with respect to investment property accounted for at FVTPL:

A. Reconciliation of carrying amount

	In thousands of dollars	
AASB 1060.132(e)	Balance at 1 July 2021	**250**
AASB 1060.132(e)(i)	Acquisitions	**300**
AASB 1060.132(e)(ii)	Change in fair value	**20**
AASB 1060.132(e)(iv)	Reclassification from property, plant and equipment	**800**
AASB 1060.132(e)	**Balance at 30 June 2022**	**1,520**

B. Measurement of fair values

AASB 1060.132(b)

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every six months.

AASB 1060.132(a)

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant assumptions applied.

Valuation technique	Significant assumptions
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	– Expected market rental growth (2022: 2–3%, weighted average 2.6%; 2021: 2–3%, weighted average 2.5%). – Void periods (2022 and 2021: average 6 months after the end of each lease). – Occupancy rate (2022: 90–95%, weighted average 92.5%; 2021: 91–95%, weighted average 92.8%). – Rent-free periods (2022 and 2021: 1-year period on new leases). – Risk-adjusted discount rates (2022: 5–6.3%, weighted average 5.8%; 2021: 5.7–6.8%, weighted average 6.1%).

Note – Capital and reserves

Where an entity measures its property, plant and equipment at cost and investment property at fair value, it discloses the nature and purpose of a revaluation reserve.

AASB 1060.45(b)

B. Nature and purpose of reserves

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

Note – Leases

Where an entity leases out its investment property and the lese is classified as an operating lease, it discloses the following:

Leases as lessor

Operating lease

AASB 1060.148(c)

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	In thousands of dollars	2022	2021
AASB 1060.148(a)(i)	Less than one year	**450**	xx
AASB 1060.148(a)(ii)	One to five years	**1,170**	xx
AASB 1060.148(a)(iii)	More than five years	**145**	xx
	Total	**2,065**	xx

Note – Significant accounting policies

Income tax

Deferred tax

[AASB 112.51C]

The carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Property, plant and equipment

Reclassification to investment property

[AASB 140.61]

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

Investment property

[AASB 140.20, 33, 35]

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

[AASB 140.62(b)(ii), 69]

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

[AASB 16.81]

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Equity-settled share-based payments

Consolidated statement of changes in equity

— Transactions with owners of the company – Equity-settled share-based payment (ref. AASB 1060.61(c)(iii))

Note – Share-based payment arrangements

Description of share-based payment arrangements

AASB 1060.164(a) At 30 June 2021, the Group had the following share-based payment arrangements.

Share option programmes (equity-settled)

On 1 July 2017 and 1 July 2019, the Group established share option programmes that entitle key management personnel to purchase shares in the Company. On 1 July 2021, a further grant on similar terms was offered to key management personnel and senior employees. Under these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at grant date. Currently, these programmes are limited to key management personnel and other senior employees.

The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by the physical delivery of shares.

Grant date/employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Options granted to key management personnel			
On 1 July 2018	400	3 years' service from grant date and 5% increase in operating income in each of the 3 years	7 years
On 1 July 2020	200	Same as above	10 years
On 1 July 2021	225	Same as above	10 years
Options granted to senior employees			
On 1 July 2021	100	3 years' service from grant date	10 years
Total share options	925		

Measurement of fair values

Equity-settled share-based payment arrangements

AASB 1060.165 The fair value of the employee share options has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

Reconciliation of outstanding share options

AASB 1060.164(b) The number and weighted-average exercise prices of share options under the share option programmes and replacement awards were as follows.

	In thousands of options	Number of options 2022	Weighted-average exercise price 2022	Number of options 2021	Weighted-average exercise price 2021
AASB 1060.164(b)(i)	Outstanding at 1 July	**550**	**$10.18**	400	$10.00
AASB 1060.164(b)(ii)	Granted during the year	**475**	**$10.16**	200	$10.50
AASB 1060.164(b)(iii)	Forfeited during the year	**(50)**	**$10.00**	(50)	$10.00
AASB 1060.164(b)(iv)	Exercised during the year	**(5)**	**$10.00**	-	-
AASB 1060.164(b)(v)	Expired during the year	**-**	**-**	-	-
AASB 1060.164(b)(vi)	**Outstanding at 30 June**	**970**	**$10.18**	550	$10.18
AASB 1060.164(b)(vii)	Exercisable at 30 June	**295**	**$10.00**	350	$10.00

Note – Income taxes

- Movement in deferred tax balances – Equity-settled share-based payments (ref. AASB 1060.178(e))

Note – Capital and reserves

Where an entity set up a separate share-based payment reserve, it discloses the nature and purpose of this reserve (ref. AASB 1060.45(b).

Note – Significant accounting policies

Employee benefits

Share-based payment arrangements

[AASB 2.14–15, 19–21A]

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Non-controlling interests

Consolidated statement of financial position

- Equity – Non-controlling interests (presented separately from the equity attributable to the owners of the parent) (ref. AASB 1060.35(p))

Consolidated statement of profit or loss and other comprehensive income

- Profit or loss for the period attributable to non-controlling interests (ref. AASB 1060.53(a)(i))
- Total comprehensive income for the period attributable to non-controlling interests (ref. AASB 1060.53(b)(i))

Consolidated statement of changes in equity

- Total comprehensive income attributable to non-controlling interests (ref. AASB 1060.61(a)))
- Reconciliation between the carrying amount of non-controlling interests at the beginning and the end of the period (ref. AASB 1060.61(c))
- Changes in ownership interests in subsidiaries that do not result in a loss of control (ref. AASB 1060.61(c)(iii))

Note – Acquisition of subsidiary

Goodwill arising from the acquisition has been recognised as follows.

	In thousands of dollars	2022
	Consideration transferred	**2,631**
AASB 1060.142(h)	NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of [ ]	**304**
	Fair value of identifiable net assets	**(3,044)**
	Goodwill	**541**

Note – Significant accounting policies

Basis of consolidation

Non-controlling interests

[AASB 3.19]

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.[a]

[AASB 10.23, B96]

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

[AASB 10.25, B97–B99]

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Foreign currency

Foreign operations

[AASB 121.41, AASB 10.B94]

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

AASB 3.19

a. An entity has a choice on a combination-by-combination basis to measure any NCI in the acquiree at either the proportionate share of the acquiree's identifiable net assets or fair value. The Group has elected the former approach.

Tax consolidation – AI 1052 disclosures

This appendix provides extracts of example disclosures that would apply under AI 1052 *Tax Consolidation Accounting* when a tax funding arrangement is in place with a head entity. The disclosures are based on the following assumptions:

- the Company implemented tax consolidation as at 1 July 2003
- under the tax funding arrangement the intercompany charge recognised equals the current tax liability of the subsidiary, resulting in neither a contribution by the head entity to the subsidiary nor a distribution by the subsidiary to the head entity; and
- deferred taxes are calculated by reference to the carrying amounts of the assets within the separate financial statements of each entity (i.e. subsidiary carrying amounts less tax consolidation tax base).

Each entity will need to perform its own assessment of the impact AI 1052 has on its financial statements and provide disclosures accordingly. The following pages are set out as follows:

- Example accounting policy for the 'separate taxpayer within the group' approach adopted by a subsidiary under AI 1052 Tax Consolidation Accounting
- Example accounting policy for the 'standalone taxpayer' approach adopted by a subsidiary under AI 1052 *Tax Consolidation Accounting*
- Example accounting policy for the 'group allocation' approach adopted by a subsidiary under AI 1052 *Tax Consolidation Accounting*
- Example disclosures for current tax assets and liabilities for a subsidiary in a tax-consolidated group
- Example related party disclosures under AASB 124 *Related Party Disclosures* for a subsidiary in a tax-consolidated group.

Appendix 4 – Example disclosures when part of a tax-consolidated group

***Example accounting policy for the 'separate taxpayer within the group' approach adopted by a subsidiary under AI 1052* Tax Consolidation Accounting**

Income tax

Tax consolidation

The Company is a wholly owned subsidiary in a tax-consolidated group with Example Public Company Limited as the head entity. The implementation date of the tax consolidation system for the tax-consolidated group was 1 July 2003.

Current tax expense (income), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation[2].

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the Company are assumed by the head entity of the tax-consolidated group and are recognised as amounts payable (receivable) to other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution from or distribution to the head entity.

The Company recognises deferred tax assets arising from unused tax losses to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the assets can be utilised. The Company assesses the recovery of its unused tax losses and tax credits only in the period in which they arise, and before assumption by the head entity, in accordance with AASB 112 applied in the context of the tax-consolidated group. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

Nature of tax funding arrangement and tax sharing agreements

The Company, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the Company recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed. The inter-entity payable (receivable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Company, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

[*Insert significant terms and conditions of tax sharing agreement that may affect the amount, timing and uncertainty of future cash flows*].

[2] AI 1052.37 allows a choice of the company or the tax consolidation group accounting carrying amounts to be used.

Appendix 4 – Example disclosures when part of a tax-consolidated group

***Example accounting policy for the 'stand alone taxpayer' approach adopted by a subsidiary under AI 1052* Tax Consolidation Accounting**

Income tax

Tax consolidation

The Company is a wholly owned subsidiary in a tax-consolidated group with Example Public Company Limited as the head entity. The implementation date of the tax consolidation system for the tax-consolidated group was 1 July 2003.

Current tax expense (income), deferred tax liabilities and deferred tax assets arising from temporary differences of the Company are recognised using the 'stand alone taxpayer' approach whereby the Company measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the Company are assumed by the head entity of the tax-consolidated group and are recognised as amounts payable (receivable) to other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution from or distribution to the head entity.

The Company recognises deferred tax assets arising from unused tax losses to the extent that it is probable that future taxable profits of the Company will be available against which the assets can be utilised. The Company assesses the recovery of its unused tax losses and tax credits only in the period in which they arise, and before assumption by the head entity, in accordance with AASB 112 applied in the context of the tax-consolidated group. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

Nature of tax funding arrangement and tax sharing agreements

The Company, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the Company recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed. The inter-entity payable (receivable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Company, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

[*Insert significant terms and conditions of tax sharing agreement that may affect the amount, timing and uncertainty of future cash flows*].

Additional example notes to the financial statements for the 'group allocation' approach adopted by a subsidiary under AI 1052 **Tax Consolidation Accounting**

Income tax

Tax consolidation

The Company is a wholly owned subsidiary in a tax-consolidated group with Example Public Company Limited as the head entity. The implementation date of the tax consolidation system for the tax-consolidated group was 1 July 2003.

Current tax expense (income), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are allocated to the Company and recognised using a 'group allocation' approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the Company are assumed by the head entity of the tax-consolidated group and are recognised as amounts payable (receivable) to other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution from or distribution to the head entity.

The Company recognises deferred tax assets arising from unused tax losses to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the assets can be utilised. The Company assesses the recovery of its unused tax losses and tax credits only in the period in which they arise, and before assumption by the head entity, in accordance with AASB 112 applied in the context of the tax-consolidated group. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

Nature of tax funding arrangement and tax sharing agreements

The Company, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the Company recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed. The inter-entity payable (receivable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Company, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

[*Insert significant terms and conditions of tax sharing agreement that may affect the amount, timing and uncertainty of future cash flows*].

Appendix 4 – Example disclosures when part of a tax-consolidated group

***Additional example notes to the financial statements for the 'group allocation' approach adopted by a subsidiary under AI 1052* Tax Consolidation Accounting**

Tax assets and liablities[1]

Current tax assets and liabilities

In accordance with AI 1052, the Company recognises in each reporting period current tax amounts. Subsequently, in accordance with the tax consolidation legislation, the head entity has assumed the current tax liability (asset) initially recognised by the Company. Hence, the Company's current tax liability (asset) has been derecognised immediately after its initial recognition.

Under the tax funding arrangement the Company and the head entity recognise an inter-entity payable (receivable) equal in amount to the current tax liability (asset) assumed. The Company continues to recognise tax expense (income) even though it has derecognised its current tax liability or asset.[2]

The Company's inter-entity payable of $[ ] (2021: $[ ]) relating to the current tax liability assumed by the head entity is included in trade and other payables.

Explanatory notes on tax consolidation

1. [AASB 112.12] A current tax liability or asset is recognised for income tax payable or recoverable in respect of all periods to date. Under AI 1052, this balance is assumed by the head entity of the tax-consolidated group.
2. [AI 1052.11(a), (b), (c)] Specific tax consolidation adjustments shall be accounted for by a subsidiary in a tax-consolidated group as follows:
   a) current tax liabilities (or assets) recognised for the period by the subsidiary shall be accounted for as immediately assumed by the head entity
   b) deferred tax assets arising from unused tax losses and unused relevant tax credits recognised for the period by the subsidiary shall be accounted for as immediately assumed by the head entity
   c) assets and liabilities (if any) arising for the subsidiary under a tax funding arrangement shall be recognised as amounts receivable from or payable to other entities in the group; and
   d) any differences between the net tax amount derecognised under paragraphs (a) and (b) and the net amount recognised under paragraph (c) shall be recognised as a contribution by (or distribution to) equity participants between the subsidiary and the head entity

[AI 1052.42] The derecognition of a subsidiary's current tax liability (or asset) is treated under AI 1052 as a contribution by (or distribution to) the head entity, in conjunction with any tax funding arrangement amounts, on the basis that the transaction is with the parent in its capacity as the parent. The definition of "income" (or "expenses") in the Framework for the Preparation and Presentation of Financial Statements cannot be satisfied, as the decrease in the subsidiary's current tax liability (or asset) results from a contribution by or distribution to equity participants. AI 1052 does not prescribe which equity accounts are to be adjusted by subsidiaries for tax-consolidation contributions or distributions.

[AI 1052.44] The subsidiary recognises the assumption of its current tax liability or asset as a contribution by or distribution to the head entity, in conjunction with any tax funding arrangement amounts. Thus, the subsidiary continues to recognise tax expense (income) even though it derecognises its current tax liability or asset. The subsidiary may choose to classify a tax-consolidation equity contribution from the head entity as contributed equity other than paid-in capital. A transaction that would result in an equity reduction for the subsidiary may be subject to legal restrictions concerning capital distributions.

Related parties (tax consolidation)

[Refer Note 41 of Example Public Company Limited – Illustrative disclosures 202*1-22* for further disclosures required. Below are example disclosures in respect of tax consolidation only].

Parent entity

The Company is a wholly owned subsidiary in a tax-consolidated group with its parent entity, Example Public Company Limited, as the head entity. The Company, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The Company, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement.

The Company's inter-entity payable of $[ ] (2021: $[ ]) relating to the current tax liability assumed by the parent entity as the head entity, is included in trade and other payables.

For further details regarding tax consolidation and the nature of the tax funding arrangement and tax sharing agreement, refer to accounting policy Note 35(xx) and Note x.