Simple example letter of support from parent
As at 30 June 2018 the consolidated entity had a net asset deficiency of $X,XXX,XXX, which included related party
loans of $X,XXX,XXX. However, the financial statements have been prepared on a going concern basis as the
ultimate parent company has pledged its continuing support for a minimum of 12 months from the date of issuing
these financial statements.

Simple example where cash flow forecasts are sufficient to support going concern basis
The consolidated financial statements have been prepared on a going concern basis.

For the year ended 30 June 2018, the consolidated entity incurred a loss from continuing operations after tax of
$X,XXX,XXX (2017: $X,XXX,XXX). In the same period the consolidated entity had operating cash outflows of

A cash flow forecast for the next 12 months prepared by management has indicated that the consolidated entity will
have sufficient cash assets to be able to meet its debts as and when they are due.

No adjustments have been made relating to recoverability and classification of recorded asset amounts and
classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Simple example referring to working capital management
As at 30 June 2018, the consolidated statement of financial position reflected an excess of current liabilities over
current assets of $X,XXX,XXX (2017: $X,XXX,XXX). The working capital deficit was primarily caused by the
classification of $X,XXX,XXX (2017: $X,XXX,XXX) of commitments within current liabilities whilst the associated
intangible asset is capitalised within non-current assets.

The directors are satisfied that the consolidated entity is able to meet its working capital liabilities through the normal
cyclical nature of receipts and payments.

Example with new secured debt facility and funds available from ultimate parent entity
For the year ended 30 June 2018, the consolidated entity made a loss of $X,XXX,XXX (2017: $X,XXX,XXX) and had

The following matters have been considered by the directors in determining the appropriateness of the going concern
basis of preparation in the financial statements:

i) in July 2018, the consolidated entity secured a new $X,XXX,XXX debt facility from [NAME]. As a result, the
consolidated entity will have sufficient working capital to enable it to meet its objectives and financial obligations.

ii) the consolidated entity generated net operating cash inflow for the financial year ended 30 June 2018 of
$X,XXX,XXX (2017: $X,XXX,XXX). Management expect that the operating costs will be further reduced in the
succeeding financial year as a result of the restructuring of its operations, which further increase operating cash
flows.

iii) in August 2018, the ultimate parent entity, raised equity and debt which can be utilised by the consolidated entity as
and if required.

The directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is
recorded in the financial statements as at 30 June 2018. Accordingly, no adjustments have been made to the financial
statements relating to the recoverability and classification of the asset carrying amounts or the amounts and
classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.
**Basis of preparation**
The financial statements have been prepared under the historical cost convention, except for certain classes of property, plant and equipment. The financial statements have also been prepared on a going concern basis.

During the financial year ended 30 June 2018 the consolidated entity has experienced operating losses of $X,XXX,XXX (2017: loss $X,XXX,XXX including $X,XXX,XXX in impairment charges) and a decline in cash flows from operating activities of $X,XXX,XXX. This extremely disappointing performance reflected the continued difficult trading conditions suffered by the computer manufacturing business caused by the increased level of tablets being imported into [XXX]. The continuing viability of the consolidated entity and its ability to continue as a going concern is dependent upon the consolidated entity being successful in its continuing efforts in growing its revenue base and/or accessing additional sources of capital, and/or selling assets.

As a result there is significant uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. However, the directors believe that the consolidated entity will be successful in the above matters and, accordingly, have prepared the financial statements on a going concern basis.

Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 30 June 2018.

**Example of placement of shares, conversion of shares and secured line of credit**
As at 30 June 2018, the consolidated entity had a net asset position of $X,XXX,XXX (2017: $X,XXX,XXX) and cash and cash equivalents of $X,XXX,XXX (2017: $X,XXX,XXX). The decrease in net assets from the prior year predominately is the result of an impairment charge to goodwill of $X,XXX,XXX recorded as at 30 June 2018. The consolidated entity also had a negative net current asset position of $X,XXX,XXX (2017: $X,XXX,XXX). The consolidated entity had positive net operating cash inflows of $X,XXX,XXX (2017: net operating cash outflows of $X,XXX,XXX).

During the financial year ended 30 June 2018, the consolidated entity raised $X,XXX,XXX through a placement of X,XXX,XXX shares and also issued a further X,XXX,XXX shares by the conversion of $X,XXX,XXX of convertible notes. The consolidated entity also secured a $X,XXX,XXX line of credit facility from principal bank and secured an extension on its loan of $X,XXX,XXX to 30 September 2022.

The consolidated entity expects that net cash inflows from operating activities in conjunction with the line of credit will be sufficient to cover the net current asset deficiency.

The consolidated entity has also successfully expanded its revenue base by securing XX major contracts which will have additional net cash inflows.

Moreover, the directors have proactively sought to address the deficiency in net current assets and improved cash performance via the following initiatives:
- continued focus on debtors invoice collections, keeping inventory levels at a minimum; and
- continued focus on cost containment in all areas of business.

As a result of the above matters, the directors are of the view that the consolidated entity will continue as a going concern and, therefore, will realise its assets and liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The directors remain confident about the successful achievement of projected targets and therefore no adjustments have been made to these financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.
Example of expenditure commitments which require funding by additional capital raising

The financial statements have been prepared on the going concern basis which assumes the company and consolidated entity will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date the financial report was authorised for issue.

As at 30 June 2018, the consolidated entity has net assets of $X,XXX,XXX (2017: $X,XXX,XXX). During the financial year the consolidated entity had cash outflows from operating activities of $X,XXX,XXX (2017: $X,XXX,XXX) and cash outflows from investing activities of $X,XXX,XXX (2017: $X,XXX,XXX). The consolidated entity has minimum expenditure commitments on its tenements falling due within one year of $X,XXX,XXX and between one to two years of $X,XXX,XXX.

The consolidated entity has prepared a cash flow forecast which indicates that the consolidated entity does not have sufficient cash to meet its minimum expenditure commitments and support its current level of corporate overheads and therefore needs to raise additional funds to continue as a going concern.

To address the future additional funding requirements of the consolidated entity, since 30 June 2018, the directors have undertaken the following initiatives:

- entered into discussions to secure additional equity funding from current or new shareholders;
- undertaken a programme to continue to monitor the consolidated entity’s ongoing working capital requirements and minimum expenditure commitments; and
- continued their focus on maintaining an appropriate level of corporate overheads in line with the consolidated entity’s available cash resources.

The directors are confident that they will be able to complete a capital raising that will provide the consolidated entity with sufficient funding to meet its minimum expenditure commitments and support its planned level of overhead expenditures, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

However, in the event that the consolidated entity is not able to successfully complete the fundraising referred to above, significant uncertainty would exist as to whether the company and consolidated entity will continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.
Illustrative Financial Statements Going Concern Examples (available from www.ifrssystem.com)

Example of convertible note maturing and capital raising
The financial statements have been prepared on a going concern basis.

In making this assessment, management conducted a comprehensive review of the consolidated entity’s affairs including, but not limited to:
- The consolidated entity’s financial position for the financial year ended 30 June 2018;
- Significant events and transactions the consolidated entity has entered into since 30 June 2018;
- The cash flow forecast for the consolidated entity for the period up to 31 March 2019;
- Sales and profitability forecasts for the consolidated entity for not only the next financial year, but beyond 30 June 2019; and
- The continued support of the consolidated entity’s shareholders and lenders.

Management also considered the impact of maturity on 30 June 2019 of convertible notes with a face value of $X,XXX,XXX.

The consolidated entity has negotiated a twelve month extension of this maturity date of the convertible notes, which is subject to shareholder approval at the 2018 Annual General Meeting. Unless those notes are converted to shares by the holder prior to maturity, the principal and interest outstanding on maturity, will be payable in cash by the consolidated entity. Management are confident of gaining shareholder support in relation to this matter.

A fundamental component of the ability to continue as a going concern is the consolidated entity’s ability to raise capital as required. On 20 August 2018, the consolidated entity announced a pro-rata renounceable entitlement offer to raise approximately $X,XXX,XXX before capital raising expenses.


In making its assessment, management acknowledges that the ability of the consolidated entity to continue as a going concern is dependent on the generation of sufficient profits and positive cash flows, the continued support of shareholders and lenders, the conversion of the notes to shares and the raising of additional share capital as and when required in the future.

Example where deferred revenue is causing net current liabilities

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

i) of the $X,XXX,XXX net current liabilities as at 30 June 2018, $X,XXX,XXX relates to deferred income representing payment in advance by customers. This amount will not crystallise as a cash outflow, giving an adjusted net current liability of $X,XXX,XXX;

ii) the consolidated entity generated net operating cash inflows of $X,XXX,XXX (2017: $X,XXX,XXX) for the financial year ended 30 June 2018. Management project continued profitability and operating cash inflows for the consolidated entity; and

iii) the consolidated entity has access to total of $X,XXX,XXX financing facilities as at 30 June 2018 ($X,XXX,XXX as at 30 June 2017), of which $X,XXX,XXX remains undrawn and available as at 30 June 2018 ($X,XXX,XXX as at 30 June 2017).

As a consequence of the above, the directors believe that the consolidated entity will be able to continue as a going concern and, accordingly, the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might not be necessary should the group not continue as a going concern.