

Notes to the Financial Statements for the financial year ended 31 October 2016

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(s) *Investments in associates (continued)*

When the group transacts with the associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(t) *Critical accounting judgments and key sources of estimation uncertainty*

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

The Group assesses goodwill impairment at each reporting date. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates described in Note 13. In the prior year the full carrying value of goodwill was assessed as being non-recoverable and an impairment loss of \$4.002 million was recognised in profit or loss. Refer to Note 13 for further details.

Revenue recognition

Revenue in relation to the supply of custom designed solutions and the provision of licence installation services is recognised on each project by reference to the stage of completion of the project. The method of calculating the percentage completion of the project involves significant judgement based on assessing future project costs (time and materials) and profitability of each project. The information used to forecast these costs is based on historical experience and other relevant data on a customer by customer basis.

Judgement is also required in assessing when the Group has transferred to the buyer significant risks and rewards of ownership of the goods, and for 'multiple element contracts' in assessing the relative fair value of the respective elements. Generally fair value is the amount reflected for each element in the contract.

Unused tax losses

The recognition of unused tax losses as a deferred tax asset requires estimation and judgement of the availability of future taxable profits and compliance with the relevant tax legislations. In the current year the directors determined that deferred tax assets should not be recognised on the year's losses.