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Special Purpose Model Annual Report

Putting together the A-IFRS puzzle



Section B – Model annual report

Financial years ending on or after 30 June 2007

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Key contacts

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April 2007

The *2007 Special Purpose Annual Report* has been designed to provide clients, partners and staff with an up-to-date framework indicating the minimum disclosure requirements required for a Special Purpose Annual Report prepared in accordance with:

- Provisions of the Corporations Act 2001;
- Accounting Standards effective for annual reporting periods ending 30 June 2007 (other than as noted);
- Interpretations issued up to 1 March 2007 (except as noted); and
- Other requirements and guidelines current as at the date of issue, including Australian Securities and Investments Commission ('ASIC') Class Orders, Practice Notes, Policy Statements and Media Releases.

Having now completed the transition to A-IFRS, the greatest challenge for entities will be in remaining up-to-date with newly issued Accounting Standards and Interpretations. Some of the most recent implementations include:

- AASB 8 'Operating Segments'
- Interpretation 11 'AASB 2 – Group and Treasury Share Transactions'
- Interpretation 12 'Service Concession Arrangements'

Further significant proposed changes are also on the horizon for entities, including:

- a AASB Standard resulting from ED 151 'Australian Additions to, and Deletions from, International Financial Reporting Standards'
 - the AASB has reversed its decision not to include certain international options in the AASBs
- the proposed changes to company reporting obligations (among others) as part of the Treasury's Corporate and Financial Services Regulation Review Proposals Paper
 - the proposals include raising the threshold for the large proprietary test, trying to resolve duplicate disclosure of director and executive remuneration, and removal of existing lodgement relief for 'grandfathered' large proprietary companies. You can read more about the proposals in Section A of this publication.

Incorporated into this edition of the Special Purpose Model Annual Report is guidance about how a Standard resulting from ED 151 may benefit you. The Standard is expected in the second quarter of 2007, and may be early adopted for financial years ending 30 June 2007.

We trust that you will find the *2007 Special Purpose Model Annual Report* a useful tool in the preparation of your special purpose annual reports.



Bruce Porter
Lead Partner – Technical
National Assurance & Advisory Services
Deloitte

Section B

Illustrative model annual report for financial years ending on or after 30 June 2007

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About the model annual report

Purpose

This model annual report has been designed by Deloitte Touche Tohmatsu to assist users with the preparation of a **special purpose financial report** for a large proprietary company for an annual reporting period ending on or after 30 June 2007.

This model annual report has been prepared in accordance with:

- Provisions of the Corporations Act 2001
- The accounting methodology (or accounting treatment) of all Accounting Standards and Interpretations issued by the Australian Accounting Standards Board up to 1 March 2007
- The disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Cash Flow Statements' and AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'
- Other requirements and guidelines current as at the date of issue, including Australian Securities and Investments Commission ('ASIC') Class Orders, Practice Notes, Policy Statements and Media Releases.

This model is not designed to meet specific needs of a first-time adopter of Australian equivalents to International Financial Reporting Standards ('A-IFRS'), not-for-profit entities, specialised industries (e.g. life insurance companies, credit unions, etc.) or the specific information needs of any particular special purpose users. Rather, it is intended to illustrate the minimum information to be disclosed in the annual report of a proprietary company that is not a reporting entity in order to satisfy the reporting requirements of the Corporations Act 2001.

As this model does not cover all situations that may be encountered in practice, knowledge of the disclosure provisions of the Corporations Act 2001, Accounting Standards and Interpretations are prerequisites for the preparation of financial reports.

Specifically, the models have been prepared based on certain assumptions, including the following:

- DTT Special Purpose Pty Limited is a subsidiary of an ASX listed public company, DTT Group Limited;
- For taxation purposes, the entity is a member of a tax consolidated group, of which DTT Group Limited is the head entity;
- The entity's business activities include the sale of goods, and the construction and renovation of residential properties.
- The functional currency of the entity is Australian dollars.

Preparers of special purpose financial reports should consider the specific information needs of the special purpose users to determine the level of disclosure necessary to satisfy those needs. This may require the disclosure of information in addition to that illustrated in these model financial statements. For an illustration of additional disclosure requirements, refer to the Deloitte *Consolidated Model Annual Reports* or the Deloitte *Presentation and Disclosure Checklist*.

Further inquiries regarding the preparation of a special purpose financial report should be directed to your nearest Deloitte Touche Tohmatsu office.

Source references

References to the relevant requirements are provided in the left hand column of each page of this model. Where doubt exists as to the appropriate treatment, examination of the source of the disclosure requirement is recommended.

Abbreviations used in this model are as follows:

s.	Section of the Corporations Act 2001.
Reg	Regulation of the Corporations Regulations 2001.
AASB	Accounting Standard issued by the Australian Accounting Standards Board.
Int	Interpretation issued by the Australian Accounting Standards Board.
ASA	Australian Auditing Standard issued by the Auditing and Assurance Standards Board.
ASIC-CO	Australian Securities and Investments Commission Class Order issued pursuant to s.341(1) of the Corporations Act 2001.
ASIC-PN	Australian Securities and Investments Commission Practice Note.

DTT Special Purpose Pty Limited

ACN 123 456 789

Annual report for the financial year ended 30 June 2007

Source reference

Directors' report

This model financial report is intended to illustrate the minimum information to be disclosed in the annual report of a proprietary company in order to satisfy the reporting requirements of the Corporations Act 2001.

If, however, the annual report is being prepared for a public company that is not a reporting entity, the following disclosures should also be included in the directors' report:

s.300(10)(a)
s.300(10)(b),(c)
s.300(10)(d)
s.300(10)

- particulars about each director;
- directors' meetings; and
- particulars about the company secretary.

Particulars about each director and the company secretary are not required where the public company is a wholly-owned controlled entity of another company.

These disclosures are illustrated in the Deloitte *Consolidated Model Annual Reports*.

s.1308(7)

Where the directors' report contains information in addition to that required by the Corporations Act 2001, the information will be regarded as part of the directors' report for the purposes of s.1308 'False or misleading statements'.

Transfer of information from the directors' report into another document forming part of the annual report

s.300(2)

Information required by s.300 need not be included in the directors' report where such information is disclosed in the financial report.

ASIC-CO 98/2395

Information required by s.298(1)(c), s.298(1A), s.299 to s.300 (other than s.300(11B) and (11C) insofar as those sections require certain information to be included in the directors' report or in the financial report pursuant to s.300(2)) may be transferred to a document attached to the directors' report and financial report where a clear cross reference to the pages containing the excluded information exists and certain conditions are satisfied. The information required by s.298(1)(c), s.298(1A), s.299 and s.299A may not be transferred into the financial report.

Where information is transferred into the financial report it will be subject to audit.

The directors of DTT Special Purpose Pty Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

s.300(1)(c)

The names of the directors of the company during or since the end of the financial year are:

Name

Mr C.J. Chambers	Mr B.M. Stavrinidis
Mr P.H. Taylor	Mr W.K. Flinders
Ms F.R. Ridley	Ms S.M. Saunders
Mr A.K. Black	

s.300(1)(c)

The above named directors held office during and since the end of the financial year except for:

- Mr W.K. Flinders – resigned 20 July 2006
- Ms S.M. Saunders – appointed 1 August 2006, resigned 30 July 2007
- Mr A.K. Black – appointed 20 July 2007

Former partners of the audit firm

s.300(1)(ca)

The directors' report must disclose the name of each person who:

- is an officer of the company, registered scheme or disclosing entity at any time during the year;
- was a partner in an audit firm, or a director of an audit company, that is an auditor of the company, disclosing entity or registered scheme for the year; and
- was such a partner or director at a time when the audit firm or the audit company undertook an audit of the company, disclosing entity or registered scheme.

Principal activities

s.299(1)(c)

The company's principal activities in the course of the financial year were the manufacture of widgets, toys and bicycles, and the construction and renovation of residential properties.

During the financial year the company sold its bicycle business. Details of the sale are contained in notes 30 and 31 to the financial statements. During the year the board of directors decided to dispose of the construction business. Details of the planned disposal are contained in note 30 to the financial statements.

Source reference

Review of operations

s.299(1)(a)

The directors' report must contain a review of the company's operations during the financial year and the results of those operations.

ASX Guidance Note

In preparing this disclosure, entities may wish to refer to ASX Guidance Note 10 'Review of Operations and Activities: Listing Rule 4.10.17' or to the G100's 'Guide to Review of Operations and Financial Condition', which provide general guidance on the form and content of an entity's review of operations and the results of those operations, together with specific guidance on items which might be appropriately included in such a review.

Although the guide has been issued with respect to listed companies it represents best practice and may provide guidance to directors when complying with the disclosure requirements of the Corporations Act 2001. Recommended contents of the review of operations include:

- (a) overview:
 - i. objectives of the company and how they are achieved within the specific operating environment and industry within which the company operates;
 - ii. performance and indicators used by management; and
 - iii. dynamics of the company and the main opportunities and threats that may have a major effect on results regardless of whether they were significant in the period under review;
- (b) review of operations:
 - i. operating results of the company by main business activity including a comparison to prior periods and any projections published by the company and its controlled entities. Consideration should be given to unusual or infrequent events or transactions, including material acquisitions or disposals, major sources of revenues and expenses, and changes in factors which affect the results; and
 - ii. overall return attributable to shareholders in terms of dividends, and increase in shareholder funds. Consideration should be given to the company's distribution policy (including the extent of franking), other forms of shareholder returns, for example, dividend reinvestment plans or shareholder privileges, and movements in the company's share price;
- (c) details of investments for future performance, including the current and planned future level of capital expenditure, major projects and expected benefits;
- (d) review of financial conditions:
 - i. capital structure of the company including capital funding and treasury policies and objectives;
 - ii. liquidity and funding as at year end including restrictions on funds transfer, covenants entered into and the maturity profile of borrowings;
 - iii. resources available to the company not reflected in the balance sheet;
 - iv. cash generated from operations and other sources of cash flows during the period; and
 - v. impact of legislation and other external requirements having a material effect on the financial condition in the reporting period or expected to have a material effect on the financial condition in future periods; and
- (e) risk management and corporate governance practices.

Changes in state of affairs

s.299(1)(b)

During the financial year, the company disposed of its bicycle business. The company is also seeking to dispose of its construction business, in order to focus its operations towards the manufacture and distribution of widgets and toys.

Other than the above, there was no significant change in the state of affairs of the company during the financial year.

Subsequent events

s.299(1)(d)

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Otherwise, describe the matter(s) or circumstance(s).

Source reference

Future developments

s.299(3)

Disclosure of information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

s.299(1)(e), s.299(3)

Directors must bring likely developments in the operations of the company in future financial years and the expected results of those operations to the attention of the users of the financial report. These disclosures are not required where they would result in unreasonable prejudice to the entity.

Environmental regulations

s.299(1)(f)

If the company's operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, the directors' report should disclose details of the company's performance in relation to the environmental regulation.

ASIC-PN 68

The ASIC has provided the following guidance on completing environmental regulations disclosures:

- prima facie, the requirements would normally apply where an entity is licensed or otherwise subject to conditions for the purposes of environmental legislation or regulation;
- the requirements are not related specifically to financial disclosures (eg. contingent liabilities and capital commitments) but relate to performance in relation to environmental regulation. Hence, accounting concepts of materiality in financial statements are not applicable;
- the information provided in the directors' report cannot be reduced or eliminated because information has been provided to a regulatory authority for the purposes of any environmental legislation; and
- the information provided in the director's report would normally be more general and less technical than information which an entity is required to provide in any compliance reports to an environmental regulator.

Dividends

s.300(1)(a)

In respect of the financial year ended 30 June 2006, as detailed in the directors' report for that financial year, a final dividend of 19.36 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 12 October 2006.

In respect of the financial year ended 30 June 2007, an interim dividend of 17.85 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 5 March 2007.

In respect of the financial year ended 30 June 2007, a dividend of 20.33 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of redeemable cumulative preference shares on 22 June 2007.

s.300(1)(b)

In respect of the financial year ended 31 December 2006, the directors recommend the payment of a final dividend of 26.31 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 4 October 2007.

Where no dividends have been paid or declared since the start of the financial year, and/or the directors do not recommend the payment of a dividend in respect of the financial year, the directors' report should disclose that fact.

If dividends are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity) after the reporting date but before the financial report is authorised for issue, the dividends are not recognised as a liability at the reporting date because they do not meet the criteria of a present obligation in AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. Such dividends are disclosed in the notes in the financial report in accordance with AASB 101 'Presentation of Financial Statements'.

Share options

Where the entity has share options over unissued shares or interests of the company, registered scheme or disclosing entity, examples of the required disclosures as noted below are illustrated in the Deloitte *Consolidated Model Annual Reports*. These requirements however do not apply to options over shares in the entity's parent entity.

Share options granted to directors and executives

s.300(1)(d), s.300(3)

The directors' report should include details of options granted over unissued shares or interests of the company, registered scheme or disclosing entity during or since the end of the financial year to any directors or to any of the 5 most highly remunerated officers of the company (other than the directors) as part of their remuneration.

Source reference

Share options (cont'd)

- s.300(5) The details of an option granted during or since the end of the financial year should include:
- (a) the identity of the company, registered scheme or disclosing entity granting the option;
 - (b) the name of the person to whom the option is granted; and
 - (c) the number and class of shares or interests over which the option is granted.

Shares under option or issued on exercise of options

- s.300(1)(f), s.300(3) The directors' report should include details of:
- (a) shares or interests of the company, registered scheme, or disclosing entity issued during or since the end of the financial year as a result of the exercise of an option over unissued shares or interests; and
 - (b) unissued shares or interests under option as at the date of the directors' report.
- s.300(1)(e)
s.300(6) The details of unissued shares or interests under option should include:
- (a) the company, registered scheme or disclosing entity that will issue shares or interests when the options are exercised;
 - (b) the number and classes of those shares or interests;
 - (c) the issue price, or the method of determining the issue price, of those shares or interests;
 - (d) the expiry date of the options; and
 - (e) any rights that option holders have under the options to participate in any share issue or interest issue of the company, registered scheme or disclosing entity or of any other body corporate or registered scheme.

- s.300(7) The details of shares and interests issued as a result of the exercise of any option should include:
- (a) the company, registered scheme or disclosing entity issuing the shares or interests;
 - (b) the number of shares or interests issued;
 - (c) if the company, registered scheme or disclosing entity has different classes of shares or interests, the class to which each of those shares or interests belongs;
 - (d) the amount unpaid on each of those shares or interests; and
 - (e) the amount paid, or agreed to be considered as paid, on each of those shares or interests.

Indemnification of officers and auditors

- s.300(1)(g), s.300(8),
s.300(9) During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr A.B. Group, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.
- The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Where the company has not indemnified or agreed to indemnify an officer or auditor against a liability incurred, or paid an insurance premium in respect of a contract insuring against a liability incurred by an officer or auditor, the following disclosure is encouraged:

'During or since the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.'

Registered schemes [registered schemes only]

- s.300(13) The directors' report for a registered scheme should disclose details of:
- (a) the fees paid to the responsible entity and its associates out of scheme property during the financial year;
 - (b) the number of interests in the scheme held by the responsible entity or its associates as at the end of the financial year;
 - (c) interests in the scheme issued during the financial year;
 - (d) withdrawals from the scheme during the financial year;
 - (e) the value of the scheme's assets as at the end of the financial year, and the basis for the valuation; and
 - (f) the number of interests in the scheme as at the end of the financial year.

Source reference

Proceedings on behalf of the company

- s.300(14) The directors' report should disclose, with respect to persons applying for leave under s.237 to bring, or intervene in, proceedings on behalf of the company, the applicant's name and a statement whether leave was granted.
- s.300(15) Where leave is granted under s.237, the directors' report should disclose the following details of any proceedings that a person has brought, or intervened in, on behalf of the company:
- (a) the person's name;
 - (b) the names of the parties to the proceedings; and
 - (c) sufficient information to enable members to understand the nature and status of the proceedings (including the cause of action and any orders made by the court).

Auditor's independence declaration

- s.298(1)(c) The auditor's independence declaration is included on page B6 of the annual report.

True and fair view

- s.298(1A) If the financial report for a financial year includes additional information under s.295(3)(c) to give a true and fair view of financial position and performance, the directors' report for the financial year must also:
- (a) set out the directors' reasons for forming the opinion that the inclusion of that additional information was necessary to give a true and fair view required by s.297; and
 - (b) specify where that additional information can be found in the financial report.

Rounding off of amounts

If the company is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and consequently the amounts in the directors' report and the financial report are rounded, that fact must be disclosed in the financial report or the directors' report.

- ASIC-CO 98/0100 The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

or

- ASIC-CO 98/0100 The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

or

- ASIC-CO 98/0100 The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest million dollars, unless otherwise indicated.

- s.298(2) Signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

(Signature)
C.J. Chambers
Director
Melbourne, 14 September 2007

Source reference

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The Board of Directors
DTT Special Purpose Pty Limited
167 Admin Ave
MELBOURNE VIC 3000

14 September 2007

Dear Board Members,

DTT Special Purpose Pty Limited

s.298(1)(c), s.307C,
ASIC-CO 98/2395

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of DTT Special Purpose Pty Limited.

As lead audit partner for the audit of the financial statements of DTT Special Purpose Pty Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

T.L. Green
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

s.307C(1), (3)

If an audit firm, audit company or individual auditor conducts an audit of the financial report for the financial year, the lead auditor must give the directors of the company, registered scheme or disclosing entity a written declaration that, to the best of the lead auditor's knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit; or a written declaration that, to the best of the lead auditor's knowledge and belief, the only contraventions of:
 - (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; or
 - (ii) any applicable code of professional conduct in relation to the audit;are those contraventions details of which are set out in the declaration.

ASIC CO 05/910

ASIC Class Order 05/910 grants an exemption for an auditor from the requirement to make an independence declaration under s.307C where the declaration would be required to set out details of any contraventions of s.324CE(2), s.324CF(2) or s.324CG(2) of the Corporations Act 2001, provided certain conditions are met.

ASIC CO 05/83

The auditor's independence declaration may be signed before the directors' report, provided that the directors' report is signed within 7 days after the declaration was given. The auditor must provide an update to the independence declaration by way of a statement in the auditor's report.

Source reference

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**Independent auditor's report
to the members of DTT Special Purpose Pty Limited**

An audit report shall be prepared by the auditor
in accordance with the Australian Auditing Standards.

Source reference

Duty to form an opinion

The auditor is required to form an opinion on the following:

- s.307(a) • whether the financial report is in accordance with the Corporations Act 2001, including:
 - i. whether the report complies with accounting standards; and
 - ii. whether the report gives a true and fair view of the financial performance and position of the entity;
- s.307(aa) • if the financial report includes additional information under s.295(3)(c) (information included to give true and fair view of financial position and performance) – whether the inclusion of that additional information was necessary to give the true and fair view required by s.297;
- s.307(b) • whether the auditor has been given all information, explanations and assistance necessary for the conduct of the audit;
- s.307(c) • whether the company has kept financial records sufficient to enable a financial report to be prepared and audited; and
- s.307(d) • whether the company has kept other records and registers as required by the Corporations Act 2001.

s.308(3)(b) The auditor is only required to include in the audit report particulars of any deficiency, failure or shortcoming in respect of any matter referred to in s.307(b), (c) or (d) above.

Qualified audit opinions

s.308(2) Where, in the auditor's opinion, there has been a departure from a particular Accounting Standard, the audit report must, to the extent that is practicable to do so, quantify the effect that non-compliance has on the financial report. If it is not practicable to quantify the effect fully, the report must say why.

Duty to report

s.308(3)(a) The auditor is required to report any defect or irregularity in the financial report.
s.308(3A) The audit report must include any statements or disclosures required by the auditing standards.
s.308(3B) If the financial report includes additional information under s.295(3)(c) (information included to give true and fair view of financial position and performance), the audit report must also include a statement of the auditor's opinion on whether the inclusion of that additional information was necessary to give the true and fair view required by s.297.

Duty to inform

s.311 The auditor must inform the ASIC in writing if the auditor is aware of circumstances that:

- the auditor has reasonable grounds to suspect amount to a contravention of the Corporations Act 2001; or
- amount to an attempt, in relation to the audit, by any person to unduly influence, coerce, manipulate or mislead a person involved in the conduct of the audit; or
- amount to an attempt, by any person, to otherwise interfere with the proper conduct of the audit.

s.311 The auditor is required to notify ASIC in writing of the circumstances of the matters outlined above as soon as practicable and in any case within 28 days, after the auditor becomes aware of those circumstances.

ASIC-PN 34 ASIC Practice Note 34 provides guidance on the procedures to be followed by registered company auditors in complying with s.311 of the Corporations Act 2001, including specific reference to evidence of a contravention, examples of contraventions and timing of notification.

Source reference

Deloitte.

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Compilation report to the directors of DTT Special Purpose Pty Limited

APS9

Scope

On the basis of information provided by DTT Special Purpose Pty Limited ("The Entity"), we have compiled in accordance with APS 9 "Statement on Compilation of Financial Reports" the special purpose financial report of the Entity for the period ended 30 June 2007 as set out on pages B11 to B67. The specific purpose for which the special purpose financial report has been prepared is set out in Note 3. The extent to which Accounting Standards and other mandatory professional reporting requirements have or have not been adopted in the preparation of the special purpose financial report is set out in Notes 2 and 3.

The Directors' responsibility for the special purpose financial report

The Directors of DTT Special Purpose Pty Limited are solely responsible for the information contained in the special purpose financial report and has determined that the accounting policies used are consistent with the financial reporting requirements of the Client's constitution and are appropriate to meet the needs of the Directors for the purpose of [describe purpose].

Compilation procedures

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the Client provided, into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the Directors of DTT Special Purpose Pty Limited, may suffer arising from any negligence on our part. No person should rely on the special purpose financial report without having an audit or review conducted.

The special purpose financial report was prepared exclusively for the benefit of the Directors of DTT Special Purpose Pty Limited. We do not accept responsibility to any other person for the contents of the special purpose financial report.

DELOITTE TOUCHE TOHMATSU

T.L. Green
Partner
Chartered Accountants
Melbourne, 14 September 2007

Liability limited by a scheme approved under Professional Standards Legislation.

A compilation report is issued where we have been engaged to classify and summarise the entity's financial information into a financial report. When audit and review procedures are performed, this report must not be used. Further information on the activities relating to a compilation report can be found in APS 9 "Statement on Compilation of Financial Reports".

Source reference

Directors' declaration

As detailed in Note 3 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors declare that:

- s.295(4)(c) (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- s.295(4)(d) (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company.

s.295(5) Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

(Signature)
C.J. Chambers
Director

Melbourne, 14 September 2007

Source reference

Format of the financial report

General disclosures

Minimum general requirements relating to the format of the financial report are included in Accounting Standards AASB 101 'Presentation of Financial Statements' and AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' and have been implicitly applied in the model financial report. These include:

- | | |
|--|--|
| <p>AASB101.Aus45.1
AASB101.44</p> | <p>(a) the financial report shall be presented in the English language;</p> <p>(b) the financial report shall be identified clearly and distinguished from other information in the same published document;</p> |
| <p>AASB101.49
AASB101.49</p> | <p>(c) financial reports shall be presented at least annually;</p> <p>(d) if the entity's reporting date changes and the annual financial report is presented for a period longer or shorter than one year, the entity shall disclose, in addition to the period covered by the financial report:</p> <ul style="list-style-type: none"> i. the reason for using a longer or shorter period; and ii. the fact that comparative amounts for the income statement, statement of recognised income and expense/statement of changes in equity, cash flow statement and related notes are not entirely comparable; |
| <p>AASB101.46
AASB101.46</p> | <p>(e) each component of the financial report shall be clearly identified;</p> <p>(f) the following information shall be displayed prominently, and repeated where necessary for a proper understanding of the information presented:</p> |
| <p>AASB101.46(a)</p> | <ul style="list-style-type: none"> i. the name of the entity that is reporting or other means of identification, and any change in that information from the preceding reporting date (for example, to give a proper understanding, the change of name may be disclosed on the cover of the financial report and repeated in the directors' report, the directors' declaration, audit report and on the face of the financial statements); |
| <p>AASB101.46(b)
AASB101.46(c)</p> | <ul style="list-style-type: none"> ii. whether the financial report covers the individual entity or a group of entities; iii. the reporting date or the period covered by the financial report, whichever is appropriate to that component of the financial report; |
| <p>AASB101.46(d),
Aus46.1</p> | <ul style="list-style-type: none"> iv. the presentation currency. When the presentation currency is different from the Australian currency, the entity shall disclose the reason and justification for not using the Australian currency; and
<i>AASB exposure draft ED 151 'Australian Additions to, and Deletions from, IFRSs' proposes removing the Australian-specific requirement in AASB 121 'The Effects of Changes in Foreign Exchange Rates' to disclose the reason and justification for not using the Australian currency. However, assuming a revised Standard is issued prior to financial statement preparation and is early adopted, this requirement will continue to be required unless revised AASB 101 (issued October 2006) is similarly early adopted. Refer Section A for further information about the ED's proposals.</i> |
| <p>AASB101.46(e)
AASB101.27</p> | <ul style="list-style-type: none"> v. the level of rounding used in presenting amounts in the financial report; <p>(g) the presentation and classification of items in the financial report shall be retained from one period to the next unless:</p> |
| <p>AASB101.27(a)</p> | <ul style="list-style-type: none"> i. it is apparent, following a significant change in the nature of the entity's operations or a review of its financial report, that another presentation or classification would be more appropriate; or |
| <p>AASB101.27(b)</p> | <ul style="list-style-type: none"> ii. an Accounting Standard requires a change in presentation. |

Specific disclosures

Where the following is not disclosed elsewhere in information published with the financial report, the information shall be disclosed in the financial report:

- | | |
|-----------------------|--|
| <p>AASB101.126(a)</p> | <p>(a) the domicile and legal form of the entity, its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office);
These disclosure requirements are illustrated in note 1 to the model financial statements.</p> |
| <p>AASB101.126(b)</p> | <p>(b) a description of the nature of the entity's operations and its principal activities; and
Complying with the Corporations Act 2001 directors' report requirements, in relation to principal activities, will ensure compliance with these requirements. This disclosure requirement is illustrated in the directors' report.</p> |
| <p>AASB101.126(c)</p> | <p>(c) the name of the parent entity of the entity and the ultimate parent entity of the group.</p> |

Source reference

Notes to the financial statements

AASB101.103

The notes shall:

- (a) present information about the basis of preparation of the financial report and the specific accounting policies used;
- (b) disclose the information required by Accounting Standards that is not presented on the face of the balance sheet, income statement, statement of recognised income and expense/statement of changes in equity or cash flow statement; and
- (c) provide additional information that is not presented on the face of the balance sheet, income statement, statement of recognised income and expense/statement of changes in equity or cash flow statement, but is relevant to an understanding of any of them.

AASB101.104

Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the balance sheet, income statement, statement of recognised income and expense/statement of changes in equity and cash flow statement shall be cross referenced to any related information in the notes.

Comparative information

AASB101.36

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

Reclassification of financial information

AASB101.38

When the presentation or classification of items in the financial report is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose:

- (a) the nature of the reclassification;
- (b) the amount of each item or class of items that is reclassified; and
- (c) the reason for the reclassification.

AASB101.39

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- (a) the reason for not reclassifying the amounts; and
- (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

Errors made in prior periods

AASB108.42

Material prior period errors shall be retrospectively corrected in the first financial report authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

AASB108.43

However, to the extent that it is impracticable to determine either:

AASB108.44

- (a) the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period); or

AASB108.45

- (b) the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

AASB108.46

The correction of a prior period error is excluded from profit or loss for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.

The disclosure requirements are illustrated in note 5 to the model financial statements.

Change in accounting estimates

AASB108.36

The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

AASB108.37

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

The disclosure requirements with respect to revisions of accounting estimates are illustrated in note 4 to the model financial statements.

Source reference

AASB101.13

True and fair override

A financial report shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of Accounting Standards, with additional disclosure when necessary, is presumed to result in a financial report that achieves a fair presentation.

AASB101.Aus13.1

The Corporations Act 2001 requires an entity's financial report to comply with Accounting Standards and, if necessary to give a true and fair view, further information to be disclosed in the notes.

AASB101.21

In the extremely rare circumstances in which management concludes that compliance with a requirement in an Accounting Standard would be so misleading that it would conflict with the objective of financial reports set out in the Framework, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

- the title of the Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial reports set out in the Framework; and
- for each period presented, the adjustments to each item in the financial reports that management has concluded would be necessary to achieve a fair presentation.

Income statement
for the financial year ended 30 June 2007
(Alt 1: example of expenses disclosed by function)

	Note	2007 \$'000	2006 \$'000
Continuing operations			
Revenue		140,918	151,840
Cost of sales		(87,899)	(91,840)
Gross profit		53,019	60,000
Other revenue		3,608	2,351
Other income		934	1,005
Share of profits of associates and jointly controlled entities accounted for using the equity method		1,186	1,589
Distribution expenses		(5,087)	(4,600)
Marketing expenses		(3,293)	(2,247)
Occupancy expenses		(2,128)	(2,201)
Administration expenses		(11,001)	(15,124)
Finance costs		(5,034)	(6,023)
Other expenses		(2,656)	(2,612)
Profit before tax	6	29,548	32,138
Income tax expense		(11,306)	(11,801)
Profit for the year from continuing operations		18,242	20,337
Discontinued operations			
Profit for the year from discontinued operations	6,30	8,310	9,995
Profit for the year		26,552	30,332

Notes to the financial statements are included on pages B26 to B67.

Source references: AASB101.81, 82, 83 and 88

Income statement
for the financial year ended 30 June 2007
(Alt 2: example of expenses disclosed by nature)

	Note	2007 \$'000	2006 \$'000
Continuing operations			
Revenue		144,526	154,191
Other income		934	1,005
Share of profits of associates and jointly controlled entities accounted for using the equity method		1,186	1,589
Changes in inventories of finished goods and work in progress		(7,122)	2,118
Raw materials and consumables used		(70,393)	(85,406)
Employee benefits expense		(9,803)	(11,655)
Depreciation and amortisation expense		(12,193)	(13,878)
Finance costs		(5,034)	(6,023)
Impairment of non-current assets		(219)	-
Consulting expense		(3,120)	(1,926)
Other expenses		(9,214)	(7,877)
Profit before tax	6	29,548	32,138
Income tax expense		(11,306)	(11,801)
Profit for the year from continuing operations		18,242	20,337
Discontinued operations			
Profit for the year from discontinued operations	6,30	8,310	9,995
Profit for the year		26,552	30,332

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Source reference

Presentation of revenues and expenses

AASB101.81	<p>As a minimum, the face of the income statement shall include line items that present the following amounts for the period:</p> <ul style="list-style-type: none"> (a) revenue; (b) finance costs; (c) share of the profit or loss of associates and joint ventures accounted for using the equity method; (d) tax expense; (e) a single amount comprising of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and (f) profit or loss.
AASB101.82	<p>The following items shall be disclosed on the face of the income statement as allocations of profit or loss for the period:</p> <ul style="list-style-type: none"> (a) profit or loss attributable to minority interest; and (b) profit or loss attributable to equity holders of the parent.
AASB101.88, 89	<p>An entity shall present, either on the face of the income statement or in the notes to the financial statements, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant. Sub-classifications of expenses by nature or function have been illustrated in the example on the face of the income statement as is encouraged in the Accounting Standard.</p>
AASB101.94	<p>The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, management is required to select the most relevant and reliable presentation. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used.</p>
AASB101.29, 30 AASB1031	<p>Regardless of whether expenses are classified by nature or by function, each material class is separately disclosed. Unclassified expenses that are immaterial both individually and in aggregate may be combined and presented as a single line item. An item that is not sufficiently material to warrant separate presentation on the face of the financial statements may nevertheless be sufficiently material for it to be presented separately in the notes. It follows that the total of unclassified expenses is unlikely to exceed 10 per cent of total expenses classified by nature or by function, whether disclosed either on the face or in the notes to the financial statements.</p>
AASB101.32	<p>Offsetting</p> <p>Income and expenses shall not be offset unless required or permitted by an Accounting Standard.</p>
AASB101.34	<p>An entity undertakes, in the course of its ordinary activities, transactions that do not generate revenue but are incidental to the main revenue-generating activities. The results of such transactions are presented, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:</p> <ul style="list-style-type: none"> (a) gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; and (b) expenditure related to a provision that is recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.
AASB101.35	<p>In addition, gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. Such gains and losses are, however, reported separately if they are material.</p>
AASB101.85, 86	<p>Disclosure of specific revenues and expenses</p> <p>When items of income and expense are material, their nature and amount shall be disclosed separately either on the face of the income statement or in the notes to the financial statements, but shall not be presented as extraordinary items.</p>
AASB101.83	<p>Disclosure of additional information</p> <p>In addition to those disclosures explained above, additional line items, headings and subtotals shall be presented on the face of the income statement when such presentation is relevant to an understanding of the entity's financial performance.</p>
AASB101.85	<p>Prohibition on extraordinary items</p> <p>An entity shall not present any items of income and expense as extraordinary items, either on the face of the income statement or in the notes to the financial statements.</p>

**Balance sheet
as at 30 June 2007**

	Note	2007 \$'000	2006 \$'000
Current assets			
Cash and cash equivalents		20,199	19,778
Trade and other receivables	7	19,518	17,197
Other financial assets	9	8,842	7,009
Inventories	8	31,364	30,242
Current tax assets		-	-
Other	15	-	-
		79,923	74,226
Non-current assets classified as held for sale	10	22,336	-
Total current assets		102,259	74,226
Non-current assets			
Investments accounted for using the equity method	11	8,425	7,269
Other financial assets	9	10,411	9,656
Property, plant and equipment	12	111,235	134,461
Investment property		136	132
Deferred tax assets	13	-	-
Goodwill		20,208	24,060
Other intangible assets	14	9,739	11,325
Other	15	-	-
Total non-current assets		160,154	186,903
Total assets		262,413	261,129
Current liabilities			
Trade and other payables	16	16,820	21,495
Borrowings	17	27,579	31,468
Other financial liabilities	18	104	18
Current tax liabilities		-	-
Provisions	19	3,416	3,247
Other	20	90	95
		48,009	56,323
Liabilities directly associated with non-current assets classified as held for sale	21	3,684	-
Total current liabilities		51,693	56,323
Non-current liabilities			
Borrowings	17	32,611	31,478
Other financial liabilities	18	-	-
Deferred tax liabilities		4,591	3,693
Provisions	19	2,298	2,326
Other	20	180	270
Total non-current liabilities		39,680	37,767
Total liabilities		91,373	94,090
Net assets		171,040	167,039
Equity			
Issued capital	22	33,246	49,479
Reserves	23	3,438	2,569
Retained earnings	24	134,356	114,991
		171,040	167,039
Amounts recognised directly in equity relating to non-current assets classified as held for sale	25	-	-
Total equity		171,040	167,039

Notes to the financial statements are included on pages B26 to B67.

Source references: AASB101.68, Aus68.1, 68A and 69

Source reference

Current/non-current vs. liquidity presentation

- AASB101.51 All assets and all liabilities shall be classified and presented as either current or non-current unless they are presented in order of their liquidity. The term 'current' is defined for:
- AASB101.57 (a) assets, as an asset that is:
- i. expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
 - ii. held primarily for the purpose of being traded;
 - iii. expected to be realised within 12 months after the reporting date; or
 - iv. cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date;
- AASB101.60 (b) liabilities, as a liability that:
- i. is expected to be settled in the entity's normal operating cycle;
 - ii. is held primarily for the purpose of being traded;
 - iii. is due to be settled within 12 months after the reporting date; or
 - iv. the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

AASB101.51 A liquidity basis shall only be presented where a liquidity presentation provides information that is reliable and more relevant than the current/non-current presentation. The liquidity basis of presentation is not illustrated in these model financial statements.

Operating cycle

- AASB101.59 A company's operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Once an entity defines their operating cycle it affects the classification and presentation of assets and liabilities as either current or non-current.
- AASB101.59, 61 When an entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.
- AASB101.57, 60 However, where there is a single clearly identifiable operating cycle that extends over a period greater than 12 months, the longer period shall be used as the basis for identifying as:
- (a) current assets, those assets expected to be realised in, or intended for sale or consumption in, the entity's normal operating cycle; and
 - (b) current liabilities, those liabilities expected to be settled in the entity's normal operating cycle.
- AASB101.59, 61 Current assets will include inventories and trade receivables that are sold, consumed or realised as part of the normal operating cycle and current liabilities will include those liabilities that form part of the working capital used in a normal operating cycle of the entity, for example trade payables and accruals for employee benefits expense. This is the case even when they are not expected to be realised/settled within 12 months of the reporting date.

Refinancing liabilities

- AASB101.63 Where current and non-current liabilities are presented separately, financial liabilities shall be categorised as current when they are due to be settled within 12 months of reporting date, even if:
- (a) the original term was for a period longer than 12 months; and
 - (b) an agreement to refinance, or to reschedule payments, on a long term basis is completed after the reporting date and before the financial report is authorised for issue.
- AASB101.64 However, if an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting date under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.

Breach of loan covenants

- AASB101.65 Where current and non-current liabilities are presented separately and an undertaking, including a covenant included in a borrowing agreement, is breached such that the liability becomes payable on demand, the liability shall be categorised as current even if the lender has agreed, after the reporting date, and before the authorisation of the financial report for issue, not to demand payment as a consequence of the breach.
- AASB101.66 However, the liability is classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least 12 months after the reporting date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

Source reference

AASB101.32

Offsetting

Assets and liabilities shall only be set-off where required or permitted by an Accounting Standard, for example, AASB 132 'Financial Instruments: Disclosure and Presentation'.

AASB112.71

Income taxes

An entity shall offset current tax assets and current tax liabilities if, and only if, the entity

- (a) has a legally enforceable right to set-off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

AASB112.74

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

- (a) the entity has a legally enforceable right to set-off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

AASB5.40

Presentation of a non-current asset or disposal group classified as held for sale

An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented.

Statement of recognised income and expense for the financial year ended 30 June 2007

(Alt 1: presentation of a statement of recognised income and expense)

	Note	2007 \$'000	2006 \$'000
Gain/(loss) on revaluation of property	23	-	1,643
Increase/(decrease) arising from a change in existing decommissioning, restoration or similar liabilities		-	-
Gain/(loss) on available-for-sale investments taken to equity	23	94	81
Gain/(loss) on cash flow hedges taken to equity	23	436	316
Exchange differences arising on translation of foreign operations	23	75	121
Actuarial gain/(loss) on defined benefit plans	24	-	-
Other [describe]		-	-
Income tax on items taken directly to equity		(181)	(648)
Net income/(expense) recognised directly in equity		424	1,513
Transfers (net of any related tax):			
Transfer to profit or loss on sale of available-for-sale investments		-	-
Transfer to profit or loss on cash flow hedges		(86)	(60)
Transfer to initial carrying amount of non-financial hedged item on cash flow hedges		(180)	(141)
Transfer to profit or loss on disposal of foreign operation		(84)	-
Profit for the period		26,552	30,332
Total recognised income and expense for the period		26,626	31,644
Effects of changes in accounting policy			
Increase/(decrease) in retained earnings at the beginning of the period	24	-	(21)
[Describe]		-	-
		-	(21)
Effects of corrections of errors			
Increase/(decrease) in retained earnings at the beginning of the period	24	-	-
		-	-

Notes to the financial statements are included on pages B26 to B67.

Source references: AASB101.96

An alternative method of presentation, which also includes transactions with equity holders acting in their capacity as equity holders, is illustrated on the next page.

Note: Entities which recognise actuarial gains and losses directly in retained earnings must present a statement of recognised income and expense, and are not permitted to present a statement of changes in equity as illustrated in Alt 2.

Statement of changes in equity for the financial year ended 30 June 2007
(Alt 2: presentation of a statement of changes in equity)

	Fully paid ordinary shares \$'000	Asset revaluation reserve \$'000	Investments revaluation reserve \$'000	Equity-settled employee benefits reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Option premium on convertible notes \$'000	Tax consolidation reserve \$'000	Retained earnings \$'000	Total attributable to equity holders of the entity \$'000
Balance at 1 July 2005	49,479	51	470	-	258	140	-	-	91,159	141,557
Effects of changes in accounting policies: Effect of changes in the accounting for financial guarantee contracts	-	-	-	-	-	-	-	-	(21)	(21)
As restated	49,479	51	470	-	258	140	-	-	91,138	141,536
Gain/(loss) on revaluation of property	-	1,643	-	-	-	-	-	-	-	1,643
Gain/(loss) on available-for-sale investments	-	-	81	-	-	-	-	-	-	81
Gain/(loss) on cash flow hedges	-	-	-	-	316	-	-	-	-	316
Exchange differences arising on translation of foreign operations	-	-	-	-	-	121	-	-	-	121
Related income tax	-	(493)	(24)	-	(95)	(36)	-	-	-	(648)
Net income recognised directly in equity	-	1,150	57	-	221	85	-	-	-	1,513
Transfers (net of any related tax):	-	-	-	-	-	-	-	-	-	-
Transfer to profit or loss on cash flow hedges	-	-	-	-	(60)	-	-	-	-	(60)
Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	-	-	-	-	(141)	-	-	-	-	(141)
Profit for the period	-	-	-	-	-	-	-	-	30,332	30,332
Total recognised income and expense	-	1,150	57	-	20	85	-	-	30,332	31,644
Recognition of share-based payments	-	-	-	338	-	-	-	-	-	338
Payment of dividends	-	-	-	-	-	-	-	-	(6,479)	(6,479)
Balance at 30 June 2006	49,479	1,201	527	338	278	225	-	-	114,991	167,039
Balance at 1 July 2006	49,479	1,201	527	338	278	225	-	-	114,991	167,039
Gain/(loss) on available-for-sale investments	-	-	94	-	-	-	-	-	-	94
Gain/(loss) on cash flow hedges	-	-	-	-	436	-	-	-	-	436
Exchange differences arising on translation of foreign operations	-	-	-	-	-	75	-	-	-	75
Related income tax	-	-	(28)	-	(131)	(22)	-	-	-	(181)
Net income recognised directly in equity	-	-	66	-	305	53	-	-	-	424
Transfers (net of any related tax):	-	-	-	-	-	-	-	-	-	-
Transfer to profit or loss on cash flow hedges	-	-	-	-	(86)	-	-	-	-	(86)
Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	-	-	-	-	(180)	-	-	-	-	(180)
Transfer to profit or loss on disposal of foreign operation	-	-	-	-	-	(84)	-	-	-	(84)
Profit for the period	-	-	-	-	-	-	-	-	26,552	26,552
Total recognised income and expense	-	-	66	-	39	(31)	-	-	26,552	26,626
Recognition of share-based payments	-	-	-	206	-	-	-	-	-	206
Issue of shares for consulting services performed	322	-	-	-	-	-	-	-	-	322
Issue of convertible notes	-	-	-	-	-	-	834	-	-	834
Share issue costs	-	-	-	-	-	-	-	-	-	-
Share buy-back	(16,356)	-	-	-	-	-	-	-	(555)	(16,911)
Share buy-back costs	(283)	-	-	-	-	-	-	-	-	(283)
Transfer to retained earnings	-	(3)	-	-	-	-	-	-	3	-
Payment of dividends	-	-	-	-	-	-	-	-	(6,635)	(6,635)
Related income tax	-	-	-	-	-	-	(242)	-	-	(158)
Balance at 30 June 2007	33,246	1,198	593	544	317	194	592	-	134,356	171,040

Notes to the financial statements are included on pages B26 to B67.

Source references: AASB101.96, 97

Source reference

<p>AASB101.96</p>	<p>An entity shall present a statement of changes in equity showing on the face of the statement:</p> <ol style="list-style-type: none"> (a) profit or loss for the period; (b) each item of income and expense for the period that, as required by other Standards, is recognised directly in equity, and the total of these items; (c) total income and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to equity holders of the parent and to minority interest; and (d) for each component of equity, the effects of changes in accounting policies and corrections of errors.
<p>AASB101.96</p>	<p>A statement of changes in equity that comprises only these items shall be titled a statement of recognised income and expense. Where an entity recognises actuarial gains and losses with respect to defined benefit plans outside profit or loss, the entity shall present this format of the statement of changes in equity.</p> <p>An illustrative example of a statement of recognised income and expense is presented on page B20.</p>
<p>AASB101.97</p>	<p>An entity shall also present, either on the face of the statement of changes in equity or in the notes to the financial statements:</p> <ol style="list-style-type: none"> (a) the amounts of transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders; (b) the balance of retained earnings at the beginning of the period and at the reporting date, and the changes during the period; and (c) a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and the end of the period, separately disclosing each change. <p>An illustrative example of a statement of changes in equity is presented on page B21.</p>
<p>AASB101.98</p>	<p>Changes in an entity's equity between two reporting dates reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with equity holders acting in their capacity as equity holders (for example, equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expenses, including gains and losses, generated by the entity's activities during that period (whether those items of income and expenses are recognised in profit or loss or directly as changes in equity).</p>
<p>AASB101.99</p>	<p>All items of income and expense recognised in a period are to be included in profit or loss unless another Accounting Standard requires otherwise. Other Accounting Standards require some gains and losses (for example, revaluation increases and decreases, particular foreign exchange differences, gains or losses on remeasuring available-for-sale financial assets, and related amounts of current tax and deferred tax) to be recognised directly as changes in equity.</p> <p>Examples of items of income and expense recognised directly in equity not illustrated in these model financial statements include:</p> <ul style="list-style-type: none"> • gains/losses on a hedge of the net investment in a foreign operation • transfers to profit or loss on impairment of available-for-sale financial assets • transfers to profit or loss on sale of available-for-sale financial assets • share of increments in reserves attributable to associates • share of increments in reserves attributable to jointly controlled entities • increase/decrease arising from a change in existing decommissioning, restoration or similar liabilities.

Cash flow statement for the financial year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Cash flows from operating activities			
Receipts from customers		204,158	227,649
Payments to suppliers and employees		(156,860)	(174,222)
Interest and other costs of finance paid		(5,184)	(6,186)
Taxation paid to head-entity for tax funding agreement		(13,574)	(14,082)
Net cash provided by/(used in) operating activities	31(g)	28,540	33,159
Cash flows from investing activities			
Payment for investment securities		(5,393)	(10,588)
Proceeds on sale of investment securities		3,604	2,410
Interest received		2,315	1,304
Dividends received		196	179
Amounts advanced to related parties		(5,147)	(5,020)
Proceeds from repayment of related party loans		4,598	3,417
Payments for property, plant and equipment		(22,942)	(11,872)
Proceeds from sale of property, plant and equipment		9,872	22,295
Payments for intangible assets		(6)	(358)
Development costs paid		(502)	(440)
Additional interests acquired in associates and jointly controlled entities		(10)	-
Proceeds from sale of businesses	31(c)	7,566	-
Payment for businesses	31(b)	(622)	-
Net cash (used in)/provided by investing activities		(6,471)	1,327
Cash flows from financing activities			
Proceeds from issues of equity securities		834	-
Payment for share issue costs		-	-
Payment for share buy-back		(16,589)	-
Payment for share buy-back costs		(283)	-
Proceeds from issue of debt securities		21,616	-
Payment for debt issue costs		(595)	-
Proceeds from borrowings		7,828	5,541
Repayment of borrowings		(27,754)	(30,310)
Dividends paid		(6,635)	(6,479)
Net cash used in financing activities		(21,578)	(31,248)
Net increase in cash and cash equivalents		491	3,238
Cash and cash equivalents at the beginning of the financial year		19,400	16,137
Effects of exchange rate changes on the balance of cash held in foreign currencies		(55)	25
Cash and cash equivalents at the end of the financial year	31(a)	19,836	19,400

Notes to the financial statements are included on pages B26 to B67.

Source references: AASB107.1, 10, 28, 31, 34, 35, and 39

AASB Exposure Draft 151 'Australian Additions to, and Deletions from, IFRSs' proposes to allow entities to present a cash flow statement prepared using the 'indirect method'. Further information about the indirect method and other proposals affecting the cash flow statement are detailed on page B25.

Source reference

AASB107.14

Operating activities

Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss. Examples of cash flows from operating activities are:

- (a) cash receipts from the sale of goods and the rendering of services;
- (b) cash receipts from royalties, fees, commissions and other revenue;
- (c) cash payments to suppliers for goods and services;
- (d) cash payments to and on behalf of employees;
- (e) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;
- (f) cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities; and
- (g) cash receipts and payments from contracts held for dealing or trading purposes.

Some transactions, such as the sale of an item of plant, may give rise to a gain or loss which is included in the determination of profit or loss. However, the cash flows relating to such transactions are cash flows from investing activities.

AASB107.16

Investing activities

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Examples of cash flows arising from investing activities are:

- (a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;
- (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;
- (c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
- (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);
- (e) cash advances and loans made to other parties (other than advances and loans made by a financial institution);
- (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution);
- (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and
- (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.

When a contract is accounted for as a hedge of an identifiable position, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

AASB107.17

Financing activities

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:

- (a) cash proceeds from issuing shares or other equity instruments;
- (b) cash payments to owners to acquire or redeem the entity's shares;
- (c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long-term borrowings;
- (d) cash repayments of amounts borrowed; and
- (e) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

AASB107.31

Interest and dividends

Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.

Source reference

AASB107.32

The total amount of interest paid during a period is disclosed in the cash flow statement whether it has been recognised as an expense in the income statement or capitalised in accordance with the allowed alternative treatment in AASB 123 'Borrowing Costs'.

AASB107.33

Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of net profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

AASB107.34

Dividends paid shall be classified as a financing cash flow because they are a cost of obtaining financial resources.

Taxes on income

AASB107.35

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

Investments in subsidiaries, associates and joint ventures

AASB107.37

When accounting for an investment in an associate or a subsidiary accounted for by use of the equity or cost method, an investor restricts its reporting in the cash flow statement to the cash flows between itself and the investee, for example, to dividends and advances.

AASB107.38

An entity reports its interest in a jointly controlled entity using the equity method and includes in its cash flow statement the cash flows in respect of its investments in the jointly controlled entity, and distributions and other payments or receipts between it and the jointly controlled entity.

Non-cash transactions

AASB107.43

Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a cash flow statement. Such transactions shall be disclosed elsewhere in the financial report in a way that provides all the relevant information about these investing and financing activities.

Proposed amendments affecting cash flow statements

AASB exposure draft ED 151 'Australian Additions to, and Deletions from, IFRSs' proposes allowing entities the option of presenting cash flows from operating activities using the indirect method on the face of the cash flow statement.

Under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of:

- (a) changes during the period in inventories and operating receivables and payables;*
- (b) non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, undistributed profits of associates, and minority interests; and*
- (c) all other items for which the cash effects are investing or financing cash flows.*

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses disclosed in the income statement and the changes during the period in inventories and operating receivables and payables.

Refer note 31(g) to the financial statements for an illustration of the indirect method of presenting the net cash flow from operating activities.

ED 151 also proposes:

- (a) that the present requirement in AASB 107.Aus20.1 to disclose a reconciliation of cash flows arising from operating activities to profit or loss in the financial report be removed (note 31(g));*
- (b) reinstating commentary in AASB 107.34 noting that dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows; and*
- (c) reinstating commentary in AASB 107.50(b) encouraging the disclosure of the aggregate amounts of the cash flows from each of operating, investing and financing activities related to interests in joint ventures reported using proportionate consolidation as additional information that may be relevant to users in understanding the financial position and liquidity of an entity.*

Refer Section A for further information about the ED's proposals.

Notes to the financial statements for the financial year ended 30 June 2007

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Source reference

1. General information

AASB101.126(a), (c) DTT Special Purpose Pty Limited (the company) is a proprietary company, incorporated in Australia and operating in Australia and New Zealand. The parent entity of DTT Special Purpose Pty Limited is DTT Group Limited. Its ultimate parent entity is DTT Ultimate Limited.

DTT Special Purpose Pty Limited's registered office and its principal place of business are as follows:

AASB101.126(a)	Registered office	Principal place of business
	10 th Floor	1 st Floor
	DTT Centre	167 Admin Ave
	255 Deloitte Street	MELBOURNE VIC 3000
	MELBOURNE VIC 3000	Tel: (03) 9208 5000
	Tel: (03) 9208 7000	

AASB101.126(a) Disclosures in relation to the domicile and legal form of the entity, the country of incorporation and the address of the registered office (or principal place of business, if different from the registered office) only need be made in the financial report where such information is not disclosed elsewhere in information published with the financial report.

The following sentence is suggested in the year of incorporation:

'The company was incorporated on [date] and accordingly only current year figures covering the period from incorporation are shown.'

2. Adoption of new and revised Accounting Standards

AASB108.28 In the current year, the company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in changes to the entity's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- investments classified as at fair value through profit or loss (AASB 2005-04 'Amendments to Australian Accounting Standards'); and
- financial guarantee contracts (AASB 2005-09 'Amendments to Australian Accounting Standards').

The impact of these changes in accounting policies is discussed in detail later in this note.

AASB108.31(a), (c) At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but not yet effective:

- | | |
|--|--|
| <ul style="list-style-type: none"> • AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue | Effective for annual reporting periods beginning on or after 1 January 2007 |
| <ul style="list-style-type: none"> • AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue | Effective for annual reporting periods beginning on or after 1 January 2009 |
| <ul style="list-style-type: none"> • AASB 101 'Presentation of Financial Statements' – revised standard | Effective for annual reporting periods beginning on or after 1 January 2007 |
| <ul style="list-style-type: none"> • Interpretation 10 'Interim Financial Reporting and Impairment' | Effective for annual reporting periods beginning on or after 1 November 2006 |
| <ul style="list-style-type: none"> • Interpretation 11 'Group and Treasury Share Transactions and consequential amendments to other accounting standards resulting from its issue | Effective for annual reporting periods beginning on or after 1 March 2007 |
| <ul style="list-style-type: none"> • Interpretation 12 'Service Concession Arrangements' and consequential amendments to other accounting standards resulting from its issue | Effective for annual reporting periods beginning on or after 1 January 2008 |

The above is a listing of all Standards and Interpretations on issue as at 28 February 2007 and not yet effective for a financial year ending 30 June 2007. This listing should be updated as new or revised Standards and Interpretations are made by the Australian Accounting Standards Board.

AASB108.30, 31(b), (d), (e) The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect the company's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

Source reference

Employees of DTT Special Purpose Pty Limited receive options as part of their compensation. These options are granted by the listed parent entity, DTT Group Limited, over its own equity instruments. The company presently accounts for the arrangement as an equity-settled share-based payment transaction, recognising an expense for the share-based payment and a corresponding contribution by the parent entity, over the vesting period of the options. This accounting policy is consistent with the requirements of Interpretation 11, and accordingly, the adoption of the Interpretation will not affect the company's results.

DTT Special Purpose Pty Limited is not required to apply AASB 8 'Operating Segments', as this Standard applies only to an entity whose debt or equity instruments are traded in public markets, or is in the process of issuing any class of instruments in a public market.

As the entity does not engage in any public-private service concession arrangements, Interpretation 12 'Service Concession Arrangements' will have no impact on these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised) and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company's financial instruments and its objectives, policies and processes for managing capital. DTT Special Purpose Pty Limited does not intend to comply with the disclosure requirements of AASB 7.

These Standards and Interpretations will be first applied in the financial report of the company that relates to the annual reporting period beginning after the effective date of each pronouncement.

Limitation of ability to designate financial assets and financial liabilities through profit or loss

The Australian Accounting Standards Board ('AASB') released AASB 2005-4 'Amendments to Australian Accounting Standards' in June 2005. AASB 2005-4 amends AASB 139 'Financial Instruments: Recognition and Measurement' by limiting the ability of entities to designate any financial asset or financial liability as 'at fair value through profit or loss'.

Financial assets that can no longer be designated as 'at fair value through profit or loss' shall be classified into either loans and receivables, held-to-maturity investments or available-for-sale investments, as appropriate, and measured at amortised cost or at fair value with changes in fair value recognised in equity, depending on classification. Financial liabilities that can no longer be designated as 'at fair value through profit or loss' shall be classified as 'other' financial liabilities and measured at amortised cost. Although ordinarily the designation of a financial asset as available-for-sale is made on initial recognition, the transitional provisions of the Standard allow such designation to be made on the date of de-designation (1 July 2005).

The changes introduced by AASB 2005-4 are applied by the company with effect from the beginning of the comparative reporting period presented in this financial report (i.e., with effect from 1 July 2005). The amendments are made in accordance with the transitional provisions of AASB 2005-4 and results in listed shares held by the company with a carrying value at 1 July 2005 (the date of de-designation) of \$1,889 thousand that were previously designated as 'at fair value through profit or loss' being reclassified as available-for-sale investments. Fair value movements post 1 July 2005 are recognised directly in the investments revaluation reserve in accordance with note 3(g).

The impact of this reclassification is that profit for the year ended 30 June 2006 decreased by \$5 thousand (net of tax) and gains recognised in the investments revaluation reserve for the year ended 30 June 2006 increased by \$5 thousand (net of tax) from that which was reported in the annual financial report for that comparative year. Profits for the current financial year are \$8 thousand lower than had the previous policy continued to apply.

Where an entity has previously designated financial assets or financial liabilities as 'at fair value through profit or loss' that would continue to qualify for such designation under the amended Standard, the entity may wish to highlight this fact. For example, the following wording may be adopted (amended as appropriate):

"The Australian Accounting Standards Board ('AASB') released AASB 2005-4 'Amendments to Australian Accounting Standards' in June 2005. AASB 2005-4 amends AASB 139 'Financial Instruments: Recognition and Measurement' by limiting the ability of entities to designate any financial asset or financial liability as 'at fair value through profit or loss'.

Financial assets that can no longer be designated as 'at fair value through profit or loss' shall be classified into either loans and receivables, held-to-maturity investments or available-for-sale investments, as appropriate, and measured at amortised cost or at fair value with changes in fair value recognised in equity, depending on classification. Financial liabilities that can no longer be designated as 'at fair value through profit or loss' shall be classified as 'other' financial liabilities and measured at amortised cost.

The changes introduced by AASB 2005-4 are applied by the company with effect from the beginning of the comparative reporting period presented in this financial report (i.e., with effect from 1 July 2005). Financial assets and financial liabilities designated by the company as 'at fair value through profit or loss' continue to meet the revised designation rules and, accordingly, the application of these amendments has no impact on the financial statements."

AASB108.28

Source reference

AASB108.28

2. Adoption of new and revised Accounting Standards (cont'd)

Accounting for financial guarantee contracts

The AASB released AASB 2005-9 'Amendments to Australian Accounting Standards' in September 2005. AASB 2005-9 amends AASB 139 'Financial Instruments: Recognition and Measurement' to require certain financial guarantee contracts to be recognised in accordance with AASB 139 and measured initially at their fair values, and subsequently measured at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 3(v).

The changes introduced by AASB 2005-9 are applied by the company with effect from the beginning of the comparative reporting period presented in this financial report (i.e., with effect from 1 July 2005). The company has provided a financial guarantee to a bank in respect of loans to its parent entity.

The application of these amendments results in such financial guarantee contracts now being recognised and measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognised less, where appropriate, cumulative amortisation.

The impact of this change in accounting policy in the financial statements at the beginning of the comparative period is that a liability of \$30 thousand and the associated deferred tax asset of \$9 thousand was recognised for the financial guarantee contracts, adjusted against opening retained earnings. Profit for the year ended 30 June 2006 is \$8 thousand higher under the new policy and financial liabilities as at 30 June 2006 higher by \$18 thousand from that which was reported in the annual financial report for that comparative year. Profits for the year ended 30 June 2007 are \$4 thousand lower under the new accounting policy as a result of movements in the fair value of the financial liabilities recognised.

Other changes in accounting policies

The above illustrative examples of changes in accounting policies does not represent a complete list of the changes in accounting policies and/or methods of computation that may have been made, or required to be made, since the most recent annual financial report. Entities should also give consideration as to other accounting policy changes and methods of computation that may have been made, or are required to be made, including changes resulting from the issue of:

- (a) AASB 2005-1 'Amendments to Australian Accounting Standards', which allows certain intragroup forecast transactions to qualify for hedge accounting;
- (b) AASB 2005-5 'Amendments to Australian Accounting Standards', which requires rights to cash reimbursement to be treated similarly to other rights to reimbursement;
- (c) AASB 2005-6 'Amendments to Australian Accounting Standards', which excludes business combinations involving entities under common control from AASB 3 'Business Combinations';
- (d) Interpretation 4 'Determining whether an Asset Contains a Lease', which clarifies whether an arrangement is, or contains a lease;
- (e) Interpretation 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds', which specifies the accounting that should be applied in the financial statements of a contributor to such funds;
- (f) Interpretation 6 'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment', which specifies the timing for the recognition of liabilities for waste management;
- (g) Interpretation 7 'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies', which specifies how an entity shall restate its financial statements in the first year hyperinflation is identified in the economy of its functional currency;
- (h) Interpretation 8 'Scope of AASB 2', which clarifies that AASB 2 applies to transactions in which the entity cannot specifically identify some or all of the goods or services received;
- (i) Interpretation 9 'Reassessment of Embedded Derivatives', which clarifies that an entity need not reassess whether an embedded derivative needs to be separately recognised;
- (j) Interpretation 1002 'Post-Date-of-Transition Stapling Arrangements', which specifies the accounting treatment for post-date-of-transition stapling arrangements; and
- (k) AASB 119 'Employee Benefits' (December 2004), which introduces two additional options for recognising actuarial gains and losses and provides additional guidance on the accounting for group plans.

Adoption of an AASB Accounting Standard before its application date

The following disclosure is recommended where an Accounting Standard has been adopted early:

"The directors have also elected under s.334(5) of the Corporations Act 2001 to apply AASB X '[title]', even though the Standard is not required to be applied until annual reporting periods beginning on or after [date]."

In accordance with s.334(5) of the Corporations Act 2001, the election must be made in writing by directors.

Source reference

2. Adoption of new and revised Accounting Standards (cont'd)

Changes in accounting policies on initial application of Accounting Standards

AASB108.28

When initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- (a) the title of the Australian Accounting Standard;
- (b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
- (c) the nature of the change in accounting policy;
- (d) when applicable, a description of the transitional provisions;
- (e) when applicable, the transitional provisions that might have an effect on future periods;
- (f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - i. for each financial statement line item affected; and
 - ii. if AASB 133 'Earnings per Share' applies to the entity, for basic and diluted earnings per share;
- (g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- (h) if retrospective application required by AASB 108 is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial reports of subsequent periods need not repeat these disclosures.

Accounting Standards and Interpretations issued and not yet effective

AASB108.30

When an entity has not applied a new Accounting Standard that has been issued but is not yet effective, the entity shall disclose:

- (a) this fact; and
- (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Accounting Standard will have on the entity's financial report in the period of initial application.

AASB108.31

In complying with the requirements above, an entity considers disclosing:

- (a) the title of the new Accounting Standard;
- (b) the nature of the impending change or changes in accounting policy;
- (c) the date by which application of the Accounting Standard is required;
- (d) the date as at which it plans to apply the Accounting Standard initially; and
- (e) either:
 - i. a discussion of the impact that initial application of the Accounting Standard is expected to have on the entity's financial report; or
 - ii. if that impact is not known or reasonably estimable, a statement to that effect.

Voluntary changes in accounting policies

AASB108.29

When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- (a) the nature of the change in accounting policy;
- (b) the reasons why applying the new accounting policy provides reliable and more relevant information;
- (c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - i. for each financial statement line item affected; and
 - ii. if AASB 133 'Earnings per Share' applies to the entity, for basic and diluted earnings per share;
- (d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- (e) if retrospective application of the accounting policy is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

AASB108.20

Financial reports of subsequent periods need not repeat these disclosures. The early application of an Accounting Standard is not a voluntary change in accounting policy.

Source reference

AASB101.103(a)

3. Significant accounting policies

Financial reporting framework

AASB101.Aus13.4,
APS1.20(a), (b)

The company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

Statement of compliance

AASB101.Aus13.2,
Aus13.3, APS1.20(c)

The financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Cash Flow Statements' and AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

or

AASB101.Aus13.2,
Aus13.3, APS1.20(c)

The financial report has been prepared in accordance with the Corporations Act 2001, and the basis of accounting and disclosure requirements specified by all Accounting Standards and Interpretations, except the disclosure requirements of the pronouncements listed below.

- [specify the Accounting Standards and/or Interpretations not complied with]

Accounting Standards and Interpretations should not be listed where:

- the Accounting Standard or Interpretation is not applicable to the company, for example, AASB 127 is not applicable where the company has no subsidiaries; or
- the disclosure requirements of the Accounting Standard or Interpretation have been complied with in order to satisfy the information needs of the special purpose users.

AASB101.14

Compliance with International Financial Reporting Standards ('IFRS')

Under the reporting entity concept, an entity preparing a special purpose financial report is not required to comply with the disclosure requirements of all Accounting Standards and Interpretations. Accordingly, a special purpose financial report cannot be described as complying with IFRS as they do not comply with all requirements of IFRS.

APS1.20(c)

Presentation of consolidated financial statements

Where the company has subsidiaries and Accounting Standard AASB 127 'Consolidated and Separate Financial Statements' has not been adopted in the preparation of the special purpose financial report, the financial report should specifically indicate that AASB 127 has not been adopted.

AASB101.46(d),
108(a)

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

ASIC-CO 98/100

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

ASIC-CO 98/100

If the company is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and consequently the amounts in the directors' report and the financial report are rounded, that fact must be disclosed in the report. Where the conditions of the Class Order are met, entities may round to the nearest thousand dollars, nearest hundred thousand dollars, or to the nearest million dollars.

AASB101.108(b)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

AASB101.108-112

Significant accounting policies

The summary of accounting policies shall include a description of each specific accounting policy that is necessary for an understanding of the financial report. In making judgments about the details to be disclosed about an entity's accounting policies, consideration shall be given to the information needs of the likely users of the financial report, the nature of the entity's operations and the policies that a user would expect to find disclosed for that type of entity.

Materiality

In accordance with AASB 1031 'Materiality', accounting policies need only be identified in the summary of accounting policies where they are considered 'material'. Accounting policies will be considered material if their omission, misstatement or non-disclosure has the potential, individually or collectively, to:

- influence the economic decisions of users taken on the basis of the financial report; and
- affect the discharge of accountability by the management or governing body of the entity.

Source reference

3. Significant accounting policies (cont'd)

Going concern basis

AASB101.23

Where the financial report is prepared on a going concern basis, but material uncertainties exist in relation to events or conditions which cast doubt on the entity's ability to continue as a going concern, those uncertainties shall be disclosed. The events or conditions requiring disclosure may arise after the reporting date.

AASB101.23

Where the going concern basis has not been used, this shall be disclosed together with a statement of the reasons for not applying this basis and the basis on which the financial report has been prepared. An entity shall not prepare its financial report on a going concern basis if management determines after the reporting date either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

Example accounting policies

The following illustrations are quoted by way of example only, and do not necessarily represent the only treatment which may be appropriate for the item concerned and does not cover all items that shall be considered for inclusion in the summary of accounting policies.

For example, an entity may elect:

- to expense all borrowing costs as they are incurred or to capitalise borrowing costs that relate to qualifying assets
- not to adjust the initial measurement of the cost of a non-financial asset or a non-financial liability arising from a hedged forecast transaction by the amount deferred in equity
- for actuarial gains and losses arising in relation to defined benefit plans, to adopt the corridor approach or to recognise actuarial gains and losses directly in retained profits or in full in profit or loss
- to recognise investments on settlement date or on trade date
- in respect of fair value hedges, to amortise the adjustment to a hedged item measured at amortised cost to profit or loss from the date the adjustment is made or to begin the amortisation no later than when hedge accounting is discontinued
- where they are a parent, to measure investments in subsidiaries, jointly controlled entities and associates, that are not classified as held for sale, either at cost or in accordance with AASB 139 'Financial Instruments: Recognition and Measurement' in its separate financial statements. Note: A parent entity is not permitted to apply the equity method to account for investments in jointly controlled entities and associates in its separate financial statements, however an entity which is not a parent entity must account for investments in jointly controlled entities and associates in its separate financial statements using the equity method unless the investment is classified as held for sale or certain wholly-owned subsidiary exemptions apply.
- to treat goodwill arising in a business combination with a foreign entity occurring before the date of transition to A-IFRS as assets and liabilities of the foreign entity or as an Australian dollar denominated asset
- to present exchange differences on deferred foreign tax liabilities or assets recognised in the income statement as deferred tax expense (income)
- to measure intangible assets after initial recognition on either the cost or revaluation (fair value) basis, where conditions for doing so are met
- to measure investment property under either the cost model or the fair value model
- to classify and account for property interests held under operating leases as investment properties on a property-by-property basis.

Other entities may need to disclose the manner in which they account for:

- business combinations involving entities under common control
- biological assets or agricultural produce
- exploration and evaluation activities
- where consolidated financial statements are presented, the basis of consolidation.

Further accounting policy options are proposed by AASB Exposure Draft 151 'Australian Additions to, and Deletions from, IFRSs', including:

- *preparing the cash flow statement using the 'indirect' method*
- *using proportionate consolidation to account for jointly controlled entities*
- *accounting for government grants as deferred income or as a deduction from the related asset*
- *accounting for government grants in the form of a transfer of a non-monetary asset for use by the recipient at fair value or nominal amount.*

Refer Section A for further information about the ED's proposals.

Source reference

3. Significant accounting policies (cont'd)

(a) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(b) Business combinations

Acquisitions of businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(d) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(e) Derivative financial instruments

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

AASB107.46

Source reference

3. Significant accounting policies (cont'd)

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the company documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses deferred in the foreign currency translation reserve are recognised in profit or loss when the foreign operation is disposed.

(f) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Source reference

3. Significant accounting policies (cont'd)

Defined benefit plans

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full in profit or loss in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(g) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in associates are accounted for at cost.

AASB Exposure Draft 151 'Australian Additions to, and Deletions from, IFRSs' amends the definition of separate financial statements. Entities should consider whether this results in a change to their current accounting policy. Further information on the proposals of ED 151 are available in Section A.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- (i) has been acquired principally for the purpose of selling in the near future;
- (ii) is a part of an identified portfolio of financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Fair value is determined in the manner described below.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain shares and redeemable notes held by the company are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Source reference

3. Significant accounting policies (cont'd)

Dividends on available-for-sale equity instruments are recognised in profit and loss when the company's right to receive payments is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Fair values of financial assets

The fair values of financial assets measured at fair value are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(h) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

Source reference

3. Significant accounting policies (cont'd)

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 3(v).

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

The fair values of financial liabilities classified as at fair value through profit or loss are determined as follows:

- the fair value of financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently recorded at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(i) Foreign currency

The financial statements of the company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the entity are expressed in Australian dollars, which is the functional currency of DTT Special Purpose Pty Limited, and the presentation currency for the financial statements.

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings (refer note 3(a));
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 3(e)); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Source reference

3. Significant accounting policies (cont'd)

The assets and liabilities of the company's foreign operations (including comparatives) are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in the translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign operation and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

(j) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the company's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(k) Government grants

Government grants are assistance by the government in the form of transfers of resources to the company in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the company other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the company should purchase, construct or otherwise acquire long-term assets are recognised as deferred income in the balance sheet and recognised as income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised as income of the period in which it becomes receivable.

AASB Exposure Draft 151 'Australian Additions to, and Deletions from, IFRSs' proposes allowing entities the option of:

- *accounting for government grants as deferred income or as a deduction from the related asset*
- *accounting for government grants in the form of a transfer of a non-monetary asset for use by the recipient at fair value or nominal amount*
- *disclosing government grants related to income as a credit in profit and loss or as a deduction from the related expense.*

Refer Section A for further information about the ED's proposals.

Source reference

3. Significant accounting policies (cont'd)

(l) Impairment of other tangible and intangible assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer note 3(t)).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 3(t)).

(m) Income tax

The company is part of a tax-consolidated group under Australian taxation law, of which DTT Group Limited is the head entity. As a result, DTT Special Purpose Pty Limited is subject to income tax through its membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including DTT Special Purpose Pty Limited) using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, DTT Special Purpose Pty Limited and DTT Group Limited have agreed to pay a tax equivalent payment to or from the head entity equal to the tax liability or asset assumed by the head entity for that period as noted above. Such amounts are reflected in amounts receivable from or payable to the head entity. Accordingly, the amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution from (or distribution to) equity participants arises in relation to income taxes.

The above example assumes that the tax funding arrangement mirrors the allocation process adopted within the tax-consolidated group, meaning that no contributions from (or distributions to) equity participants arise under Interpretation 1052. Where this is not the case, the above wording should be amended to indicate how amounts payable and receivable under the tax funding arrangement are calculated. In this case, the following paragraph should be added in lieu of the final sentence of the paragraph immediately above:

Where the amount receivable or payable under the tax funding arrangement for a particular period is different to aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits allocated to the company in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Source reference

3. Significant accounting policies (cont'd)

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that the company's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the level of the group.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the level of the group.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in branches and associates, and interests in joint ventures except where the company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Additional information on accounting policies shall be included where the entity has other material tax balances not covered by the above analysis, such as in relation to tax deductible share-based payments.

Other acceptable allocation methods include:

- (a) a 'stand alone taxpayer' approach for each entity, as if it continued to be a taxable entity in its own right; or
- (b) a 'group allocation' approach, under which the current and deferred tax amounts for the tax-consolidated group are allocated among each entity in the group (subject to certain limitations).

Where the 'stand alone taxpayer' approach is adopted, the following accounting policy wording may be adopted:

Source reference

3. Significant accounting policies (cont'd)

The company is part of a tax-consolidated group under Australian taxation law, of which DTT Group Limited is the head entity. As a result, DTT Special Purpose Pty Limited is subject to income tax through its membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including DTT Special Purpose Pty Limited) using the 'stand alone taxpayer' approach by reference to the carrying amounts in the financial statements of the company and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

The above example assumes that the tax funding arrangement mirrors the allocation process adopted within the tax-consolidated group, meaning that no contributions from (or distributions to) equity participants arise under Interpretation 1052. Where this is not the case, the above wording should be amended to indicate how amounts payable and receivable under the tax funding arrangement are calculated. In this case, the following paragraph should be added in lieu of the final sentence of the paragraph immediately above:

Where the amount receivable or payable under the tax funding arrangement for a particular period is different to aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits allocated to the company in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Interpretation 1052 provides little guidance on how the 'group allocation method should be implemented. However, it does specifically note that the following 'group allocation' methods would not be considered 'acceptable methods' for the calculation of current and deferred taxes by members of the tax-consolidated group:

- a method that allocates only current tax liabilities to an entity in the group that has taxable temporary differences
- a method that allocated deferred taxes to an entity in the group using a method that is fundamentally different from the temporary difference approach required by AASB 112
- a method that allocates no current or deferred tax expense to an entity in the group that has taxable income because the tax-consolidated group has no current or deferred income tax expense
- a method that only allocates current taxes to entities in the group that have accounting profits, with no allocation to entities that have accounting losses
- a method that allocated current taxes to entities in the group on an arbitrary basis, for example on the basis of sales revenue, total assets, net assets or operating profits without adjustment for material items that are not assessable or deductible for tax purposes.

Where the 'group allocation' approach is adopted, the following accounting policy wording may be adapted to reflect the actual mechanics of the method adopted:

The company is part of a tax-consolidated group under Australian taxation law, of which DTT Group Limited is the head entity. As a result, DTT Special Purpose Pty Limited is subject to income tax through its membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including DTT Special Purpose Pty Limited) using a 'group allocation' approach based on the allocation specified in the tax funding arrangement. The tax funding arrangement requires a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right, except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequence [amend as applicable]. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.)

The above example assumes that the tax funding arrangement mirrors the allocation process adopted within the tax-consolidated group, meaning that no contributions from (or distributions to) equity participants arise under Interpretation 1052. Where this is not the case, the above wording should be amended to indicate how amounts payable and receivable under the tax funding arrangement are calculated. In this case, the following paragraph should be added in lieu of the final sentence of the paragraph immediately above:

Source reference

3. Significant accounting policies (cont'd)

Where the amount receivable or payable under the tax funding arrangement for a particular period is different to aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits allocated to the company in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

More information about accounting for tax consolidation can be found in the Deloitte publication 'Accounting for tax consolidation under A-IFRS', which is available from the Deloitte web site: www.deloitte.com.au.

(n) Intangible assets

Patents, trademarks and licences

Patents, trademarks and licences are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where entities have intangible assets that have been assessed as having an indefinite useful life, an appropriate accounting policy shall be disclosed, for example:

Brand names

Brand names recognised by the company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 3(l).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

(o) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(p) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

(q) Joint venture arrangements

Jointly controlled assets

Interests in jointly controlled assets in which the company is a venturer (and so has joint control) are included in the financial statements by recognising the company's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the company's share of expenses incurred by or in respect of each joint venture. The company also recognises income from the sale or use of output from the joint venture in accordance with the revenue policy in note 3(v).

Source reference

3. Significant accounting policies (cont'd)

The company's interests in assets where the company does not have joint control are accounted for in accordance with the substance of the company's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the company recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature.

The following wording, amended as appropriate for an entity's circumstances, should be included as required:

Where the joint venture arrangement does not embody an undivided interest in individual assets and liabilities, but gives rise to:

- a right to output, the company recognises an intangible asset (refer note 3(n)).
- a right to a net return in the form of cash or other financial assets, the company recognises a financial asset (refer note 3(g)).

A joint venture characterised as a 'jointly controlled asset' involves the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. Jointly controlled assets do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits through its share of the jointly controlled asset.

Jointly controlled operations

Where the company is a venturer (and so has joint control) in a jointly controlled operation, the company recognises the assets that it controls and the liabilities that it incurs, along with the expenses that it incurs and the company's share of the income that it earns from the sale of goods or services by the joint venture.

The operation of joint ventures characterised as 'jointly controlled operations' involve the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture activities may be carried out by the venturers alongside the venturer's similar activities. The joint venture agreement usually provides a means by which the revenue from the sale of the joint product and any expenses incurred in common are shared among the venturers.

Jointly controlled entities

AASB Exposure Draft 151 'Australian Additions to, and Deletions from, IFRSs' proposes allowing entities the option of accounting for their interests in jointly controlled entities by way of proportionate consolidation instead of the equity method referred to below. Refer Section A for further information about the ED's proposals.

Interests in jointly controlled entities in which the company is a venturer (and so has joint control) are accounted for under the equity method in the financial statements. Investments in jointly controlled entities where the company is an investor but does not have joint control over that entity are accounted for as an available-for-sale financial asset [update as appropriate] or, if the company has significant influence, by using the equity method (refer note 3(g)).

(r) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Company as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Source reference

3. Significant accounting policies (cont'd)

Company as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs. Refer to note 3(a). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the periods in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(s) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured, with certain exceptions, at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale of the asset (or disposal group) must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the company's control and the company remains committed to a sale.

(t) Property, plant and equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income, as appropriate. The fair values are recognised in the financial statements of the company, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve, net of any related taxes, is transferred directly to retained earnings.

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Source reference

3. Significant accounting policies (cont'd)

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

(u) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision is recognised when the company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the company's obligation.

(v) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

The revenue accounting policies that follow are generic and should be adapted to suit the specific circumstances of each entity:

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Source reference

3. Significant accounting policies (cont'd)

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognised in accordance with the accounting policy outlined in note 3(d).

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(w) Share-based payments

Share-based payments made to employees and others, that grant rights over the shares of the parent entity, DTT Group Limited, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by DTT Group Limited. As DTT Group Limited does not require reimbursement for the cost of the grant, amounts relating to the grant are deemed a contribution by DTT Group Limited in its capacity as owner.

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(x) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Source reference

3. Significant accounting policies (cont'd)

(y) Comparative amounts

AASB101.38, 39

When the presentation or classification of items in the financial report is amended, comparative amounts shall be reclassified unless the reclassification is impracticable.

When comparative amounts are reclassified, an entity shall disclose:

- (a) the nature of the reclassification;
- (b) the amount of each item or class of items that is reclassified; and
- (c) the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- (a) the reason for not reclassifying the amounts; and
- (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

(z) Operating cycle

AASB101.Aus56.1

Where the entity presents current assets separately from non-current assets and current liabilities separately from non-current liabilities, and the entity has a clearly identifiable operating cycle greater than 12 months, the length of that operating cycle shall be disclosed.

Example accounting policies for mining entities

The following example accounting policies may be relevant for entities operating in the resources industry. Entities will need to edit and adapt the accounting policies below to reflect their entity's policies and circumstances:

(xx) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of *[exploration, development, production, transportation or storage]* activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of *[removing facilities, abandoning sites/wells and restoring the affected areas]*.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, *[based on current legal and other requirements and technology]*. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to *[exploration, development and milling/production facilities]* is capitalised into the cost of the related asset and *[depreciated/amortised]* on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(xx) Exploration and evaluation

The following example accounting policy assumes that an entity has adopted an 'area of interest' approach towards the capitalisation of exploration and evaluation, as is suggested by paragraph Aus7.2 of AASB 6 'Exploration for and Evaluation of Mineral Resources'. Where other approaches are adopted, the following wording will need to be edited as appropriate:

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Source reference

3. Significant accounting policies (cont'd)

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to *[development]*.

(xx) Development

Development expenditure is recognised at cost less accumulated *[amortisation/depletion]* and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs *[together with any forecast future capital expenditure necessary to develop proved and probable reserves]* are amortised over the estimated economic life of the *[mine/field]* on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

Source reference

4. Critical accounting judgements and key sources of estimation uncertainty

The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the results and financial position of the entity.

Instead of disclosing this information in a separate note it may be more appropriate to include such disclosures in the relevant asset and liability notes, or as part of the relevant accounting policy disclosures.

AASB101.113

In the application of the company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

AASB101.113

Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

[Describe, for example:]

Revenue recognition

Expenditure was required during the year for rectification work carried out on goods supplied to one of the company's major customers. These goods were delivered to the customer in the months of July to December 2006, and shortly thereafter the defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the company until 2008. In the light of the problems identified, management was required to consider whether it was appropriate to recognise the revenue from these transactions of \$x thousand in the current period, in line with the company's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to defer recognition until the rectification work was complete.

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in AASB 118 'Revenue' and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

Capitalisation of borrowing costs

It is the company's policy to capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Capitalisation of the borrowing costs relating to construction of the company's premises in Sydney was suspended in September 2006, while the development was delayed as management reconsidered its detailed plans. Capitalisation of borrowing costs recommenced in February 2007 – following the finalisation of revised plans, and the resumption of the activities necessary to prepare the asset for its intended use. Although construction of the premises was not restarted until April 2007, borrowing costs have been capitalised from February 2007, at which time the technical and administrative work associated with the project recommenced.

AASB101.116, 120

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below or elsewhere in the financial statements:

Recoverability of internally-generated intangible asset

During the year, management reconsidered the recoverability of its internally-generated intangible asset arising from the company's e-business development, which is included in its balance sheet at 30 June 2007 at \$50 thousand.

Source reference

4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project. However, increased competitor activity has caused management to reconsider its assumptions regarding future market share and anticipated margins on these products. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was \$20,208 thousand after an impairment loss of \$15 thousand in relation to goodwill associated with the company's toy operations was recognised during the current financial year. The main factor contributing to the impairment of the cash-generating unit was the failure of one of the newer product ranges to contribute to sales to the extent product testing had predicted. Management believe that any further reasonable possible change in the key assumptions on which the value in use calculation is based would not cause a further impairment of goodwill.

The key assumptions used in the estimation of the recoverable amount of goodwill associated with the cash-generating unit include:

- The average market share in the period immediately before the budget period, plus a growth of 1-2% of market share per year. The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with management's plans for focusing operations in the widget and toy industries. Management believes that the planned market share growth per year for the next five years is reasonably achievable.
- The average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements. This reflects past experience, except for efficiency improvements. Management expects efficiency improvements of 3-5% per year to be reasonably achievable.
- The forecast consumer price indices during the budget period for the countries from which raw materials are purchased. The values assigned to the key assumption are consistent with external sources of information.

Useful lives of property, plant and equipment

AASB108.39

As described in note 3(t), the company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that the useful life of certain items of equipment should be shortened, due to developments in technology.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated reassessed estimated useful lives, is to increase depreciation expense in the current financial year and for the next 3 years, by the following amounts:

	<u>\$'000</u>
2007	9
2008	7
2009	4
2010	2

AASB108.36

The effect of a change in an accounting estimate, shall be recognised prospectively by including it in profit or loss in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

AASB108.37

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

AASB108.39

An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

AASB108.40

If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

Source reference

4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

AASB101.116, 119

An entity shall disclose information about 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 annual reporting period. Such disclosures are not required in respect of assets and liabilities measured at fair value based on recently observed market prices.

AASB101.122

When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the reporting date, the entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

5. Errors

AASB108.42

An entity shall correct material prior period errors retrospectively in the first financial report authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

AASB108.43

However, to the extent that it is impracticable to determine:

AASB108.44

- (a) the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period); or

AASB108.45

- (b) the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

AASB108.46

The correction of a prior period error is excluded from profit or loss for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.

AASB108.49

An entity shall disclose the following in respect of material prior period errors identified:

- (a) the nature of the prior period error;
- (b) for each prior period presented, to the extent practicable, the amount of the correction:
 - i. for each financial statement line item affected; and
 - ii. if AASB 133 'Earnings per Share' applies to the entity, for basic and diluted earnings per share;
- (c) the amount of the correction at the beginning of the earliest prior period presented; and
- (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Financial reports of subsequent periods need not repeat these disclosures.

Source reference

6. Profit for the year

Profit/(loss) for the year has been arrived at after crediting/(charging) the following items of income and expense (i):

	Continuing		Discontinued		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
AASB101.87(c)	6	67	-	-	6	67
AASB101.87(d)	-	-	-	-	-	-
AASB101.87(a)	-	-	-	-	-	-
AASB101.87(a)	-	-	-	-	-	-
AASB101.87(a)	-	-	-	-	-	-
AASB101.87(a)	(15)	-	-	-	(15)	-
AASB101.87(b)	(204)	-	-	-	(204)	-
AASB101.87(b)	-	-	-	-	-	-
AASB101.87(b)	-	-	-	-	-	-
AASB101.87(g)	-	-	-	-	-	-
AASB101.87(f)	-	-	-	-	-	-
AASB101.93	(10,601)	(12,322)	(2,986)	(3,472)	(13,587)	(15,794)
AASB101.93	(1,592)	(1,556)	-	-	(1,592)	(1,556)
AASB101.93	(9,803)	(11,655)	(4,575)	(3,784)	(14,378)	(15,439)

Refer note 30 for further information about profit from discontinued operations.

Disclosure of material items of income and expense

AASB101.86 (i) When items of income and expense are material, their nature and amount shall be disclosed separately.

Disclosure of information about the nature of expenses

AASB101.93 (ii) Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefit expense.

AASB101.74

7. Trade and other receivables

	2007 \$'000	2006 \$'000
Trade receivables	19,062	17,785
Allowance for doubtful debts	(798)	(838)
	18,264	16,947
Finance lease receivable	-	-
Allowance for uncollectible minimum lease payments	-	-
	-	-
Deferred sales proceeds (note 31(c))	960	-
Operating lease receivable	-	-
Amounts due from customers under construction contracts	240	230
Goods and services tax recoverable	-	-
Other [describe]	54	20
	19,518	17,197

AASB101.52

For each asset line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the reporting date, and (b) more than twelve months after the reporting date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.

Source reference
AASB101.74

8. Inventories

	2007 \$'000	2006 \$'000
Raw materials	9,142	10,322
Work in progress	4,490	4,354
Finished goods	17,732	15,566
	31,364	30,242
Classified as part of a discontinued operation	2,090	-
	<u>33,454</u>	<u>30,242</u>

AASB101.52

Inventories of \$1,290 thousand (2006: \$850 thousand) are expected to be recovered after more than twelve months.

AASB101.74

9. Other financial assets

	Current		Non-current	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Foreign currency forward contracts	244	220	-	-
Interest rate swaps	72	37	212	140
	316	257	212	140
Financial assets carried at fair value through profit or loss: [describe]	-	-	-	-
Held-to-maturity investments carried at amortised cost:				
Bills of exchange	4,304	3,604	2,059	1,658
Debentures	500	-	-	-
	4,804	3,604	2,059	1,658
Available-for-sale investments carried at fair value:				
Redeemable notes	-	-	2,200	2,122
Shares	-	-	5,940	5,736
	-	-	8,140	7,858
Loans carried at amortised cost:				
Loans to related parties	3,722	3,148	-	-
Loans to other entities	-	-	-	-
	3,722	3,148	-	-
	<u>8,842</u>	<u>7,009</u>	<u>10,411</u>	<u>9,656</u>

AASB101.74

10. Non-current assets classified as held for sale

	2007 \$'000	2006 \$'000
Land held for sale	1,260	-
Assets related to the construction business (note 30)	21,076	-
	<u>22,336</u>	<u>-</u>

AASB101.74

11. Investments accounted for using the equity method

	2007	2006
Investments in associates	6,721	5,811
Investments in jointly controlled entities	1,704	1,458
	<u>8,425</u>	<u>7,269</u>

Where the entity is not a parent, investments in associates and jointly controlled entities shall be accounted for at cost.

AASB Exposure Draft 151 'Australian Additions to, and Deletions from, IFRSs' amends the definition of separate financial statements. Entities should consider whether this results in a change to their current accounting policy. Further information on the proposals of ED 151 are available in Section A.

Source reference

AASB101.74

12. Property, plant and equipment

	Freehold land at fair value \$'000	Buildings at fair value \$'000	Leasehold improvements at cost \$'000	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Total \$'000
2007						
Gross carrying amount	13,568	12,367	290	123,410	46	149,681
Accumulated depreciation	-	(2,881)	(134)	(35,209)	(18)	(38,242)
Accumulated impairment	-	-	-	(204)	-	(204)
	13,568	9,486	156	87,997	28	111,235
2006						
Gross carrying amount	16,358	14,908	306	139,905	670	172,147
Accumulated depreciation	-	(2,415)	(85)	(34,678)	(508)	(37,686)
Accumulated impairment	-	-	-	-	-	-
	16,358	12,493	221	105,227	162	134,461

AASB101.116

During the period, the company carried out a review of the recoverable amount of its manufacturing plant and equipment, having regard to its ongoing programme of modernisation and the introduction of new product lines. These assets are used in the company's widgets segment. The review led to the recognition of an impairment loss of \$179 thousand, that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 9% per annum. The discount rate used when the recoverable amount of these assets was previously estimated in 2005 was 8% per annum. Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to \$25 thousand. These losses are attributable to greater than anticipated wear and tear.

AASB101.116

The following useful lives are used in the calculation of depreciation:

Buildings	20 – 30 years
Leasehold improvements	5 – 7 years
Plant and equipment	5 – 15 years
Equipment under finance lease	5 years

AASB101.116, 119

An entity shall disclose information about 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 within the next annual reporting period. Such disclosures are not required in respect of assets measured at fair value based on recently observed market prices.

Where the fair value of property, plant and equipment measured on the fair value basis is not based on recently observed market prices, the following example wording may be used as a guide:

'An independent valuation of the company's land and buildings was performed by Messrs R & P Trent to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to discounted cash flows using a discount rate of 10%. The model includes assumptions about the future prices of properties and expectations about future interest rates. The effective date of the valuation is 30 June 2007 (2006: 30 June 2006).'

AASB101.74

13. Deferred tax assets

	2007 \$'000	2006 \$'000
Tax losses – revenue	-	-
Tax losses – capital	-	-
Foreign tax credits	-	-
Temporary differences	-	-
Other	-	-
	-	-

Source reference
AASB101.74

14. Other intangible assets

	Capitalised development \$'000	Patents \$'000	Trademarks \$'000	Licences \$'000	Total \$'000
2007					
Gross carrying amount	3,594	5,825	4,711	6,940	21,070
Accumulated depreciation	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)
Accumulated impairment	-	-	-	-	-
	<u>1,194</u>	<u>4,369</u>	<u>706</u>	<u>3,470</u>	<u>9,739</u>
2006					
Gross carrying amount	3,588	5,825	4,711	6,940	21,064
Accumulated depreciation	(1,682)	(1,165)	(3,769)	(3,123)	(9,739)
Accumulated impairment	-	-	-	-	-
	<u>1,906</u>	<u>4,660</u>	<u>942</u>	<u>3,817</u>	<u>11,325</u>

AASB101.116

The following useful lives are used in the calculation of amortisation:

Capitalised development	5 years
Patents	10 – 20 years
Trademarks	20 years
Licences	20 years

AASB101.116, 119

An entity shall disclose information about 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 within the next annual reporting period. Such disclosures are not required in respect of assets measured at fair value based on recently observed market prices.

AASB101.74

15. Other assets

	Current		Non-current	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Prepayments	-	-	-	-
Other [describe]	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

AASB101.74

16. Trade and other payables

	2007 \$'000	2006 \$'000
Trade payables	16,784	21,480
Cash-settled share-based payments	-	-
Amounts due to customers under construction contracts	36	15
Goods and services tax payable	-	-
Other [describe]	-	-
	<u>16,820</u>	<u>21,495</u>

AASB101.52

For each liability line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the reporting date, and (b) more than twelve months after the reporting date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.

Source reference

AASB101.74

17. Borrowings

	Current		Non-current	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Unsecured – at amortised cost:				
Bank overdrafts	520	314	-	-
Bills of exchange	358	374	-	542
Loans from:				
Related parties (i)	18,050	20,800	-	19,192
Other entities	3,701	3,518	-	-
Redeemable cumulative preference shares	-	-	15,000	-
Convertible notes	-	-	4,144	-
Perpetual notes	-	-	1,905	-
Other [describe]	-	-	-	-
	22,629	25,006	21,049	19,734
Secured – at amortised cost:				
Bank overdrafts	18	64	-	-
Bank loans	4,923	6,344	10,982	11,060
Other loans	-	-	575	649
Finance lease liabilities	9	54	5	35
Other [describe]	-	-	-	-
	4,950	6,462	11,562	11,744
	27,579	31,468	32,611	31,478

- (i) Includes amounts payable to the parent entity, DTT Group Limited, under the entity's tax funding arrangement (refer to note 3(m) for details). At reporting date, the related party loan balances are repayable at call, and accordingly have been classified as current liabilities. The company expects to be required to settle approximately half of the outstanding balance within the next twelve months.

AASB101.52

AASB101.74

18. Other financial liabilities

Financial guarantee contracts	24	18	-	-
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Foreign currency forward contracts	75	-	-	-
Interest rate swaps	5	-	-	-
Currency swaps	-	-	-	-
Other [describe]	-	-	-	-
	80	-	-	-
Derivatives that are classified as held for trading:				
[describe]	-	-	-	-
	104	18	-	-

AASB101.74

19. Provisions

Employee benefits (i)	2,478	2,492	1,794	1,896
Warranty	528	295	-	-
Onerous lease contracts	410	460	504	430
Restructuring and termination costs	-	-	-	-
Decommissioning costs	-	-	-	-
Other [describe]	-	-	-	-
	3,416	3,247	2,298	2,326

- (i) The current provision for employee benefits includes \$1,023 thousand of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2006: \$998 thousand).

Source reference
AASB101.74

20. Other liabilities

	Current		Non-current	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Lease incentives	90	90	180	270
Deferred government grants	-	-	-	-
Other [describe]	-	5	-	-
	90	95	180	270

AASB101.74

21. Liabilities directly associated with non-current assets classified as held for sale

	2007 \$'000	2006 \$'000
Liabilities related to the construction business (note 30)	3,684	-
Other [describe]	-	-
	3,684	-

AASB101.74

22. Issued capital

An entity that elects to present a statement of changes in equity showing reconciliations between the carrying amount of each class of contributed equity at the beginning and the end of the period on the face of the statement need not repeat these disclosures in the notes to the financial statements. However, such entities shall disclose, either on the face of the balance sheet or in the notes to the financial statements, for each class of share capital:

- AASB101.76(a)(i) (a) the number of shares authorised;
- AASB101.76(a)(ii) (b) the number of shares issued and fully paid, and issued but not fully paid;
- AASB101.76(a)(iii) (c) par value per share, or that the shares have no par value;
- AASB101.76(a)(iv) (d) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- AASB101.76(a)(v) (e) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;
- AASB101.76(a)(vi) (f) shares in the entity held by the entity or by its subsidiaries or associates; and
- AASB101.76(a)(vii) (g) shares reserved for issue under options and contracts for sale of shares, including the terms and amounts.

Disclosures by entities without share capital

AASB101.77

An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that noted above, showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

AASB101.76(a)(ii)

14,844,000 fully paid ordinary shares (2006: 20,130,000) 33,246 49,479

AASB101.97(c)

AASB101.76(a)(iv)

AASB101.76(a)(iv)

AASB101.76(a)(iv),
97(a)

AASB101.76(a)(iv)

AASB101.76(a)(iv)

AASB101.76(a)(iv)

	2007		2006	
	No. '000	2007 \$'000	No. '000	2006 \$'000
Fully paid ordinary shares				
Balance at beginning of financial year	20,130	49,479	20,130	49,479
Issue of shares for consulting services	-	-	-	-
Share buy-back	(5,286)	(16,034)	-	-
Share buy-back costs	-	(283)	-	-
Related income tax	-	84	-	-
Balance at end of financial year	14,844	33,246	20,130	49,479

AASB101.76(a)(v)

AASB101.76(a)(i),

(iii)

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Redeemable cumulative preference shares

3,000,000 7% redeemable cumulative preference shares were issued by the company in the current financial year. These have been classified as liabilities.

Source reference

22. Issued capital (cont'd)

Share options on issue

AASB101.76(a)(vii)

An entity shall disclose, for each class of share capital, shares reserved for issue under options, including the terms and amounts.
Where share options have been granted to employees as part of their compensation, refer note 32 for illustrative disclosures. In other instances, e.g. listed share options, the following example wording may be used as a guide:
'As at 30 June 2007, the company has [number] share options on issue (2006: [number]), exercisable on a 1:1 basis for [number] ordinary shares of the company (2006: [number]) at an exercise price of \$[amount]. The options expire between [date] and [date] (2006: [date] and [date]), and carry no rights to dividends and no voting rights.'

Contracts for the sale of shares

AASB101.76(a)(vii)

An entity shall disclose, for each class of share capital, contracts for the sale of shares, including the terms and amounts.
An entity that has contracted to sell its shares to another party, for example, in a business combination occurring after the reporting date, may wish to use the following wording as a guide:
'On [date], the company finalised negotiations to purchase 100% of the ordinary share capital of Entity ABC. As part of the purchase consideration for the acquisition, the company will issue [number] of ordinary shares to the acquiree.'

Shares held by subsidiaries or associates

AASB101.76(vi)

Where a subsidiary or associate holds shares in the entity, the number of shares held shall be disclosed.

AASB101.74

23. Reserves

AASB101.76(b)

An entity that elects to present a statement of changes in equity showing reconciliations between the carrying amount of each reserve at the beginning and the end of the period on the face of the statement need not repeat these disclosures in the notes to the financial statements. However, such entities shall disclose, either on the face of the balance sheet or in the notes to the financial statements, a description of the nature and purpose of each reserve within equity.

	2007	2006
	\$'000	\$'000
Asset revaluation	1,198	1,201
Investments revaluation	593	527
Contributions	544	338
Hedging	317	278
Foreign currency translation	194	225
Option premium on convertible notes	592	-
Tax consolidation reserve	-	-
Other [describe]	-	-
	3,438	2,569

AASB101.97(c)

Asset revaluation reserve

Balance at beginning of financial year	1,201	51
Revaluation increments/(decrements)	-	1,643
Impairment losses	-	-
Reversals of impairment losses	-	-
Deferred tax liability arising on revaluation	-	(493)
Reversal of deferred tax liability on revaluation	-	-
Transferred to retained earnings	(3)	-
Transferred to equity relating to non-current assets classified as held for sale	-	-
Other [describe]	-	-
Balance at end of financial year	1,198	1,201

AASB101.77(f)

The asset revaluation reserve arises on the revaluation of land and buildings. Where a revalued land or building is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits.

Source reference

23. Reserves (cont'd)

	2007 \$'000	2006 \$'000
Investments revaluation reserve		
Balance at beginning of financial year	527	470
Valuation gain/(loss) recognised	94	81
Cumulative (gain)/loss transferred to the income statement on sale of financial assets	-	-
Cumulative (gain)/loss transferred to the income statement on impairment of financial assets	-	-
Related income tax	(28)	(24)
Other [describe]	-	-
Balance at end of financial year	593	527

AASB101.76(b) The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

Contributions reserve		
Balance at beginning of financial year	338	-
Share-based payments	206	338
Other [describe]	-	-
Balance at end of financial year	544	338

AASB101.76(b) The contributions reserve is used to separately account for the grant of share options to employees of the company under the employee share option plan. Share options are granted to employees over the shares of the parent entity, DTT Group Limited, who is responsible for the granting of those share options. An agreement is in place with DTT Group Limited whereby no reimbursement for costs associated with the grant of options will be sought from the entity. As such, amounts relating to grants are recorded as an equity contribution from DTT Group Limited in its capacity as owner.

Hedging reserve		
Balance at beginning of financial year	278	258
Gain/(loss) recognised:		
Forward exchange contracts	209	(41)
Interest rate swaps	227	357
Currency swaps	-	-
Transferred to profit or loss:		
Forward exchange contracts	(3)	-
Interest rate swaps	(120)	(86)
Currency swaps	-	-
Transferred to initial carrying amount of hedged item:		
Forward exchange contracts	(257)	(201)
Related income tax	(17)	(9)
Other [describe]	-	-
Balance at end of financial year	317	278

AASB101.76(b) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Source reference	23. Reserves (cont'd)	
	2007 \$'000	2006 \$'000
AASB101.97(c)	Foreign currency translation reserve	
	225	140
	75	121
	(22)	(36)
	(120)	-
	36	-
	-	-
	194	225
AASB101.76(b)	<p>The company's bicycle business is operated out of a branch in New Zealand. DTT Special Purpose Pty Limited has determined that the branch has a functional currency of New Zealand dollars. Exchange differences relating to the translation from the functional currency of the foreign operation into Australian dollars (being the company's functional and presentation currency) are brought to account by entries made directly to the foreign currency translation reserve.</p>	
AASB101.97(c)	Option premium on convertible notes	
	-	-
	834	-
	(242)	-
	592	-
AASB101.76(b)	<p>Option premium on convertible notes represents the equity component (conversion rights) of the 4,500,000 5.5% convertible notes issued during the year. Each note entitles the holder to convert to one ordinary share at a cost of \$3.00 per ordinary share. Conversion may occur at any time between 1 January 2011 and 28 February 2011. Unconverted notes mature at \$1.00 on 1 March 2011.</p>	
	Tax consolidation reserve	
	-	-
	-	-
	-	-
	-	-
	-	-
AASB101.76(b)	<p>Entries are made directly to the tax consolidation reserve when there are differences between the amount of current tax assets and current tax liabilities arising in the entity in accordance with the accounting policy outlined in note 3(m), and the amounts payable or receivable by the company under the terms of the tax funding arrangement.</p>	
	24. Retained earnings	
AASB101.97(b)	<p>An entity that elects to present a statement of changes in equity showing the balance of retained earnings at the beginning of the period and at the reporting date, and the changes during the period, need not present this reconciliation again in the notes to the financial statements.</p>	
AASB101.97(b)	114,991	91,159
	Effects of changes in accounting policy:	
	-	(21)
	114,991	91,138
AASB101.97(b)	26,552	30,332
AASB101.97(a), (b)	(6,635)	(6,479)
AASB101.97(a), (b)	(555)	-
AASB101.97(b)	-	-
AASB101.97(b)	-	-
AASB101.97(b)	3	-
AASB101.97(b)	-	-
AASB101.97(b)	134,356	114,991

Source reference

AASB101.74

25. Amounts recognised directly in equity relating to non-current assets held for sale

	2007 \$'000	2006 \$'000
Related to the construction business (note 30)	-	-
Other [describe]	-	-
	-	-

26. Dividends

AASB101.Aus126.4

AASB101.Aus126.4

AASB101.95

AASB101.125(a)

	2007		2006	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
<u>Fully paid ordinary shares</u>				
Interim dividend	17.85	2,738	13.26	2,669
Final dividend	19.36	3,897	18.93	3,810
	37.21	6,635	32.19	6,479
Unrecognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend	26.31	3,905	19.36	3,897

On 31 August 2007, the directors declared a final dividend of 26.31 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2007, to be paid to shareholders on 4 October 2007. The dividend will be paid to all shareholders on the Register of Members on 28 September 2007. The total estimated dividend to be paid is \$3,905 thousand but has not been included as a liability in these financial statements. In addition, during the year, dividends of \$610 thousand (2006: \$nil) were paid on redeemable cumulative preference shares classified as liabilities.

AASB101.Aus126.5,
Aus126.6

The company is part of a tax-consolidated group and accordingly, does not pay tax or have franking credits in its own right.

Where the entity is not part of a tax-consolidated group, or is the head entity in a tax-consolidated group, the following disclosures shall be made:

AASB101.Aus126.5

AASB101.Aus126.6

	2007 \$'000	2006 \$'000
Adjusted franking account balance	-	-
Impact on franking account balance of dividends not recognised	-	-

AASB101.95

An entity shall disclose, either on the face of the income statement or the statement of changes in equity, or in the notes, the amount of dividends recognised as distributions to equity holders during the period, and the related amount per share.

AASB101.Aus126.4

An entity shall disclose, for each class of shares included in equity, where either dividends payable were first recognised as a liability during the reporting period or dividends were paid during the reporting period without previously being recognised as a liability:

- (a) the amount, in aggregate and per share, of those dividends that have been or will be franked and the tax rate at which those dividends have been or will be franked; and
- (b) the amount, in aggregate and per share, of those dividends that have not been or will not be franked.

AASB101.125(b)

An entity shall disclose in the notes to the financial statements the amount of any cumulative preference dividends not recognised.

AASB101.Aus126.5

The balance of the franking account to be disclosed shall include:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Exempting accounts are held by companies wholly-owned by non-residents or tax exempt institutions and are similar to franking accounts. AASB 101 'Presentation of Financial Statements' does not specifically require the disclosure of exempting account balances, however, where considered necessary (i.e. to satisfy the information needs of the likely users of the financial report), directors may consider disclosing the exempting account balance.

AASB101.Aus126.6

An entity shall disclose in the notes to the financial statements the impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period.

Source reference

27. Commitments for expenditure

AASB101.Aus126.7

(a) Capital expenditure commitments

Plant and equipment

Not longer than 1 year
 Longer than 1 year and not longer than 5 years
 Longer than 5 years

Investment property

Not longer than 1 year
 Longer than 1 year and not longer than 5 years
 Longer than 5 years

Other [describe]

Not longer than 1 year
 Longer than 1 year and not longer than 5 years
 Longer than 5 years

AASB101.Aus126.7

(b) Other expenditure commitments

Finance lease payments

Not longer than 1 year
 Longer than 1 year and not longer than 5 years
 Longer than 5 years

Non-cancellable operating lease payments

Not longer than 1 year
 Longer than 1 year and not longer than 5 years
 Longer than 5 years

Other [describe]

Not longer than 1 year
 Longer than 1 year and not longer than 5 years
 Longer than 5 years

	2007 \$'000	2006 \$'000
(a) Capital expenditure commitments		
<u>Plant and equipment</u>		
Not longer than 1 year	4,782	5,812
Longer than 1 year and not longer than 5 years	74	198
Longer than 5 years	-	-
	4,856	6,010
<u>Investment property</u>		
Not longer than 1 year	860	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	860	-
<u>Other [describe]</u>		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-
(b) Other expenditure commitments		
<u>Finance lease payments</u>		
Not longer than 1 year	10	58
Longer than 1 year and not longer than 5 years	6	44
Longer than 5 years	-	-
	16	102
<u>Non-cancellable operating lease payments</u>		
Not longer than 1 year	1,734	1,908
Longer than 1 year and not longer than 5 years	3,568	4,336
Longer than 5 years	1,618	2,526
	6,920	8,770
<u>Other [describe]</u>		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-

28. Economic dependency

AASB101.Aus126.3

A significant volume of DTT Special Purpose Pty Limited's sales are arranged through Monopoly Industries Limited, a company empowered under legislation to control the export marketing of the company's products.

A significant volume of the company's construction operations are performed for the Australian Federal Government in accordance with a contract which expires in 2016.

AASB101.Aus126.3

An entity dependent on another entity for a significant volume of revenue or financial support and that dependency is not clearly discernible from a separate line item in the income statement or the balance sheet shall disclose:

- (a) the name of the entity on which there is an economic dependency; and
- (b) the nature of that economic dependency.

AASB 101 'Presentation of Financial Statements' does not provide guidance as to what is considered 'significant' and in what circumstances a significant volume of revenue or financial support gives rise to a 'dependency'. Deloitte believe 'economic dependency' shall be considered with reference to the potential impact that the loss of a customer, supplier or finance provider may have on the operations and financial position of the entity.

Source reference

29. Acquisition of businesses

During the year, DTT Special Purpose Pty Limited acquired the distribution operations of Minus Pty Limited. Details of the acquisition are as follows:

	2007 \$'000	2006 \$'000
Consideration		
AASB107.40(b) Cash and cash equivalents	822	-
Land and buildings	400	-
Ordinary shares	-	-
Other [describe]	-	-
AASB107.40(a)	1,222	-
Fair value of net assets acquired		
AASB107.40(d) Cash and cash equivalents	200	-
AASB107.40(c) Trade and other receivables	192	-
Inventories	57	-
In-process research and development	-	-
Plant and equipment	454	-
Trade and other payables	(58)	-
Deferred tax liabilities	(13)	-
Contingent liabilities	-	-
Net assets acquired	832	-
Goodwill on acquisition	390	-
	1,222	-

AASB107.40(b) The cost of the acquisition of Minus Pty Limited comprised cash of \$392 thousand and land and buildings with an aggregate fair value of \$400 thousand.

30. Discontinued operations

Disposal of the bicycle business

AASB101.87(e) On 28 March 2007, the Board of Directors entered into a sale agreement to dispose of the company's bicycle business. The proceeds on the sale substantially exceeded the book value of the related net assets and accordingly no impairment losses were recognised on the reclassification of these operations as held for sale. The disposal of the bicycle business is consistent with the company's long-term policy to focus its activities in the widget and toy manufacturing industries. The disposal was completed on 30 May 2007, on which date control of the bicycle business passed to the acquirer. The assets and liabilities disposed of are detailed in note 31(c).

Plan to dispose of the construction business

AASB101.87(e) On 30 May 2007, the Board of Directors announced a plan to dispose of the company's construction business, which involves the construction and renovation of Australian residential properties. The disposal is consistent with the company's long-term policy to focus its activities in the widget and toy manufacturing industries. The company is actively seeking a buyer for its construction business and expects to complete the sale by 31 January 2008.

The construction business has been classified and accounted for at 30 June 2007 as a disposal group held for sale. On initial reclassification of these operations as held for sale, the company has not recognised any impairment losses.

Source reference

30. Discontinued operations (cont'd)

AASB101.74

The major classes of assets and liabilities comprising the operations classified as held for sale at balance date are as follows:

	2007 \$'000	2006 \$'000
Goodwill	1,147	-
Property, plant and equipment	15,684	-
Inventories	2,090	-
Trade and other receivables	1,980	-
Cash and cash equivalents	175	-
Total assets classified as held for sale	21,076	-
Trade and other payables	(3,254)	-
Deferred tax liabilities	(430)	-
Total liabilities associated with assets classified as held for sale	(3,684)	-
Net assets held for sale	17,392	-

AASB101.86, 87(e)

The combined results of the discontinued operations which have been included in the income statement are as follows. The comparative profit has been re-presented to include those operations classified as discontinued in the current period.

Revenue	64,405	77,843
Other income	30	49
	64,435	77,892
Expenses		
Cost of sales	(39,333)	(48,020)
Distribution expenses	(6,234)	(7,255)
Marketing expenses	(5,000)	(5,067)
Administration expenses	(3,970)	(4,188)
Finance costs	(150)	(134)
Other expenses	(218)	(235)
	(54,905)	(64,899)
Profit before tax	9,530	12,993
Attributable income tax expense	(2,524)	(2,998)
	7,006	9,995
Gain/(loss) on remeasurement to fair value less costs to sell	-	-
Gain/(loss) on disposal of operation*	1,940	-
	1,940	-
Attributable income tax expense	(636)	-
	1,304	-
Profit for the year from discontinued operations	8,310	9,995

* Includes gains of \$120 thousand recycled into profit and loss on the reversal of associated amounts previously deferred in the foreign currency translation reserve.

31. Notes to the cash flow statement

AASB107.45

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	20,199	19,778
Bank overdraft	(538)	(378)
	19,661	19,400
Cash and cash equivalents attributable to discontinued operations	175	-
	19,836	19,400

AASB107.40

(b) Businesses acquired

During the financial year, the company acquired a new business. The net cash outflow on acquisition was \$622 thousand. Refer note 29 for further details of the acquisition.

Source reference

AASB107.40

31. Notes to the cash flow statement (cont'd)

(c) Businesses disposed

During the financial year, the company disposed of its bicycle business. Details of the disposal are as follows:

	2007 \$'000	2006 \$'000
Consideration		
Cash and cash equivalents	7,854	-
Deferred sales proceeds	960	-
	8,814	-
Book value of net assets sold		
<u>Current assets</u>		
Cash and cash equivalents	288	-
Receivables	1,034	-
Inventories	2,716	-
<u>Non-current assets</u>		
Property, plant and equipment	5,662	-
Goodwill on consolidation	3,080	-
<u>Current liabilities</u>		
Payables	(918)	-
<u>Non-current liabilities</u>		
Borrowings	(4,342)	-
Deferred tax liabilities	(526)	-
Net assets disposed	6,994	-
Gain on disposal	1,820	-
	8,814	-
Net cash inflow on disposal		
Cash and cash equivalents consideration	7,854	-
Less cash and cash equivalent balances disposed	(288)	-
	7,566	-

AASB107.43

(d) Non-cash financing and investing activities

During the current financial year, the company disposed of property, plant and equipment with an aggregate fair value of \$400 thousand to acquire the business indicated in note 29. This disposal is not reflected in the cash flow statement.

During the prior financial year, the company acquired \$40 thousand of equipment under a finance lease. This acquisition will be reflected in the cash flow statement over the term of the finance lease via lease repayments.

AASB107.50(a)

(e) Financing facilities

Unsecured bank overdraft facility, reviewed annually and payable at call:

• amount used	520	314
• amount unused	1,540	2,686
	2,060	3,000

Unsecured bill acceptance facility, reviewed annually:

• amount used	358	916
• amount unused	1,142	1,184
	1,500	2,100

Secured bank overdraft facility:

• amount used	18	64
• amount unused	982	936
	1,000	1,000

Secured bank loan facilities with various maturity dates through to 2010 and which may be extended by mutual agreement:

• amount used	14,982	17,404
• amount unused	10,018	7,811
	25,000	25,215

Source reference

31. Notes to the cash flow statement (cont'd)

(f) Cash balances not available for use

AASB107.48

An entity shall disclose, together with commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the company.

AASB107.Aus20.1

(g) Reconciliation of profit for the period to net cash flows from operating activities

	2007 \$'000	2006 \$'000
Profit for the year	26,552	30,332
(Gain)/loss on sale or disposal of non-current assets	(6)	(67)
(Gain)/loss on revaluation of investment property	6	(8)
(Gain)/loss on disposal of business	(1,940)	-
(Gain)/loss on revaluation of fair value through profit or loss financial assets	-	-
Cumulative (gain)/loss transferred from equity on sale of available-for-sale financial assets	-	-
Cumulative (gain)/loss transferred from equity on impairment of available-for-sale financial assets	-	-
Share of associates' profit	(935)	(1,589)
Share of jointly controlled entities' profit	(251)	-
Depreciation and amortisation	15,179	17,350
Foreign exchange (gain)/loss	130	68
Equity-settled share-based payment	206	338
Interest income received and receivable	(2,315)	(1,304)
Dividends received and receivable	(156)	(154)
Impairment of non-current assets	219	-
Non-cash interest expense	(17)	(32)
Capitalised interest expense	(11)	(27)
Development costs expensed	502	440
Fair value gain/(loss) on derivatives	433	316
Non-cash movements in financial guarantee liabilities	6	(12)
Increase/(decrease) in deferred tax balances	1,652	538
(Increase)/decrease in amounts due under the tax-funding arrangement	(760)	179
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	(3,260)	(3,865)
Inventories	(6,128)	(6,008)
Other assets	(131)	-
Increase/(decrease) in liabilities:		
Trade and other payables	(561)	(3,308)
Provisions	141	62
Other liabilities	(15)	(90)
Net cash from operating activities	<u>28,540</u>	<u>33,159</u>

Other disclosures

AASB107.50

Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged and may include:

- (a) the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities;
- (b) the aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity; and
- (c) the amount of the cash flows arising from the operating, investing and financing activities of each reported industry and geographical segment.

Source reference

32. Share-based payments

Employee share option plan

AASB101.76(vii)

For each class of share capital, an entity is required to disclose either on the face of the balance sheet, or in the notes, shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts. Examples of required disclosures are illustrated in the Deloitte *Consolidated Model Annual Reports*. These requirements do not however apply to options granted with respect to shares of the entity's parent entity.

33. Remuneration of auditors

AASB101.Aus126.1(a)
(b)

Auditor of the parent entity

Audit or review of the financial report

Preparation of the tax return

Other non-audit services [describe]

	2007 \$	2006 \$
	442,627	406,239
	20,000	18,000
	-	-
	462,627	424,239
	-	-
	-	-

AASB101.Aus126.1(c)

Related practice of the parent entity auditor

Other non-audit services [describe]

AASB101.Aus126.1

Remuneration of international associates of Deloitte Touche Tohmatsu Australia shall be disclosed under 'Other auditors'.

An entity, other than a group, shall disclose in the financial reports of the entity, the amounts paid or payable to:

- (a) the auditor of the entity for an audit or review of the financial reports of the entity;
- (b) the auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor; and
- (c) a related practice of the auditor for non-audit services in relation to the entity, disclosing separately the nature and amount of each category of non-audit services.

Tools and publications

In addition to our model financial reports, Deloitte has a range of tools and publications to assist entities in reporting under Australian and international accounting standards. These include:



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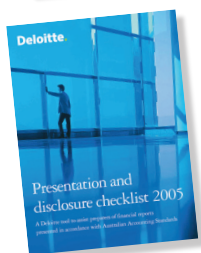
Model Financial Reports

Model annual and half-year reports.



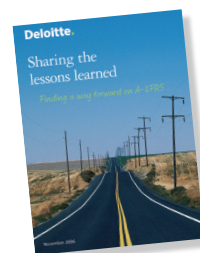
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Presentation and disclosure checklist

Checklist incorporating all of the presentation and disclosure requirements of Australian Standards and Interpretations.



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