The winds of change

Model Financial Statements

Half-years ending on or after
31 December 2010

Released November 2010

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Model half-year report

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Section A

What's new for financial reports at December 2010?

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What's new for financial reports at December 2010?

Overview

While the prior year saw entities implementing a number of changes including the new segment disclosures, the new business combinations requirements and changes to the primary financial statements, the December 2010 half-year signifies a much calmer reporting season. This presents entities with the opportunity to polish the recently adopted changes in preparation for their June 2011 year-ends. In addition to this, entities also have the chance to more carefully consider requirements that are not yet mandatorily applicable, such as AASB 9 *Financial Instruments* and forthcoming developments such as leases and revenue.

ASIC's likely focus areas

In July 2010, the Australian Securities & Investments Commission (ASIC) issued a media release to share findings from its review of the 31 December 2009 reports and the areas of focus for the 30 June 2010 reporting season. These areas of focus will continue to be instructive for the December 2010 reporting season.

Some of the key areas noted include:

- Going concern – appropriateness of the going concern assumption, ability to refinance debt and compliance with lending covenants.
- Asset impairment – reasonableness of discount and growth rates used, length of cash flow projections, cash-generating units used for testing goodwill impairment, sensitivity analysis and disclosure of assumptions used in DCF calculations.
- Fair value – disclosure of methods and significant assumptions applied in determining the fair value of investment properties, classification of fair value measurements of financial assets into the fair value hierarchy and use of fair value for intangible assets.
- Off balance sheet exposures – treatment of off balance sheet arrangements.
- Financial instruments – insufficient disclosure of the nature and extent of risks arising from financial instruments.
- Current vs non-current classification of liabilities and assets
- Other areas – adequate disclosure of significant judgements in applying accounting policies, and key assumptions and sources of estimation uncertainty, disclosure of subsequent events, appropriate revenue and expense recognition, non-statutory profit measures, quality of the operating and financial review, segment reporting, classification of items between profit and loss and other comprehensive income, accounting for business combinations and consolidation and accounting for non-recourse loans provided to employees to buy shares.

Impact on financial reporting

Whilst there are no direct financial reporting impacts of the ASIC guidance, these areas are largely consistent with prior periods and provide directors, preparers and auditors with a good starting point in assessing the veracity of financial reports.

New and revised accounting pronouncements

The tables below outline the new and revised accounting pronouncements that are either to be applied for the first time at 31 December 2010, or which may be early adopted at that date. In the majority of cases, the disclosure requirements of the pronouncements listed in the tables below would not be applicable to half-year financial reports. However, where relevant, the recognition and measurement requirements of any relevant pronouncements would be applied where those pronouncements have been adopted by the entity.

As occurs so often with changes to accounting standards and financial reporting requirements, some of the other new or revised pronouncements listed in the tables below may have a substantial impact on particular entities. Therefore, it is important that the pronouncements listed are carefully reviewed for any potential impacts or opportunities. Where early adoption is being contemplated, it is important to address any necessary procedural requirements, e.g. for entities reporting under the *Corporations Act 2001*, appropriate director's resolutions for early adoption must be made under s.334(5). Disclosure in the financial statements must also be addressed. In addition, the disclosure requirements required in relation to new and revised accounting pronouncements need to be carefully considered even where they have not yet been adopted.

The information in this section is updated throughout the reporting season in our 'What's new' summary, available at http://www.deloitte.com/au/WhatsNew.

New and revised IFRS-equivalent Standards

New or revised requirement	When effective	Applicability to 31 December 2010 half years
AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* AASB 9 introduces new requirements for classifying and measuring financial assets, as follows: • Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances) • Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss • All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss • The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.	Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2013	Optional
AASB 124 *Related Party Disclosures* (2009), AASB 2009-12 *Amendments to Australian Accounting Standards* Amends the requirements of the previous version of AASB 124 to: • Provide a partial exemption from related party disclosure requirements for government-related entities • Clarify the definition of a related party • Include an explicit requirement to disclose commitments involving related parties.	Applies to annual periods beginning on or after 1 January 2011	Optional

New or revised domestic Standards

New or revised requirement	When effective	Applicability to 31 December 2010 half years
AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* These Standards together implement 'stage 1' of the AASB's revised differential reporting regime. AASB 1053 establishes a differential financial reporting framework consisting of two tiers of reporting requirements for general purpose financial statements: • Tier 1: Australian Accounting Standards • Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements ('RDR'). AASB 2010-2 makes amendments to each Standard and Interpretation indicating the disclosures not required to be made by 'Tier 2' entities. In some cases, additional 'RDR" paragraphs are inserted requiring simplified disclosures. The following entities apply either Tier 2 (RDR) or Tier 1 ('full' Australian Accounting Standards) in preparing general purpose financial statements: • For-profit private sector entities that do not have public accountability • All not-for-profit private sector entities • Public sector entities other than Federal, State, Territory and Local Governments. Regulators may have the power to require the application of 'full' Australian Accounting Standards (Tier 1) by the entities they regulate. *Note: The AASB is yet to consider RDR simplifications to certain standards, including AASB 4, AASB 1023, AASB 1038 and AAS 25. These will be subject of an additional consultative document. 'Stage 2' of the AASB's differential reporting project will consider whether to extend these arrangements to all financial statements prepared under Australian Accounting Standards, including entities currently considered 'non-reporting entities'.*	Applies to annual reporting periods beginning on or after 1 July 2013 but may be early adopted for annual reporting period beginning on or after 1 July 2009	Optional (for eligible entities)

New Amending Standards

The table below lists the Amending Standards that do not relate to the pronouncements listed in other tables.

New or revised requirement	When effective	Applicability to 31 December 2010 half years
AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings. *Note: The amendments made to the guidance to AASB 118 'Revenue' regarding determining whether an entity is acting as agent or principal have no explicit application date and we understand that they are taken to be immediately applicable.*	Applies to annual reporting periods beginning on or after 1 January 2010 (see note in previous column regarding guidance in AASB 118)	Mandatory

New or revised requirement	When effective	Applicability to 31 December 2010 half years
AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions* Amends AASB 2 *Share-based Payment* to clarify the accounting for group cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments to AASB 2 also incorporate guidance previously included in Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 - Group and Treasury Share Transactions* and as a consequence these two Interpretations are superseded by the amendments.	Applies to annual periods beginning on or after 1 January 2010 and must be applied retrospectively	Mandatory
AASB 2009-9 *Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters* Provides additional exemptions and modifications on transition to Australian Accounting Standards in relation to certain oil and gas assets in development or production, decommissioning, restoration and similar liabilities related to those assets, and Interpretation 4 lease assessments made under equivalent requirements of pre-transition GAAP.	Applies to annual reporting periods beginning on or after 1 January 2010	n/a (Mandatory for first-time adopters)
AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issues* Amends AASB 132 *Financial Instruments: Presentation* to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments.	Applies to annual reporting periods beginning on or after 1 February 2010	Mandatory
AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* Makes limited-application amendments to Interpretation 14 *AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognised as an asset.	Applies to annual periods beginning on or after 1 January 2011 (applied retrospectively from the beginning of the earliest comparative period presented)	Optional
AASB 2010-1 *Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters - Amendment to AASB 1* Provides additional exemption on IFRS transition in relation to AASB 7 *Financial Instruments: Disclosures*, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS-compliant preparers.	Applies to annual periods beginning on or after 1 July 2010	n/a (Mandatory for first-time adopters)

<table>
<tr><th>New or revised requirement</th><th>When effective</th><th>Applicability to 31 December 2010 half years</th></tr>
<tr><td>AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters.
The key clarifications include:
• The measurement of non-controlling interests in a business combination
• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combinations (2008)
• Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.</td><td>Applies to annual reporting periods beginning on or after 1 July 2010</td><td>Mandatory</td></tr>
<tr><td>AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements.
Key amendments include:
• Financial statement disclosures - clarification of content of statement of changes in equity (AASB 101), financial instrument disclosures (AASB 7) and significant events and transactions in interim reports (AASB 134)
• Interpretation 13 - fair value of award credits
• AASB 1 - accounting policy changes in year of adoption and amendments to deemed cost (revaluation basis, regulatory assets).</td><td>Applies to annual reporting periods beginning on or after
1 January 2011</td><td>Optional</td></tr>
<tr><td>AASB 2010-5 Amendments to Australian Accounting Standards
This Standard makes numerous editorial amendments to a range of Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. These amendments have no major impact on the requirements of the amended pronouncements.
Note: Early adoption is permitted, except that the amendments to AASB 3 ‘Business Combinations’ may be applied early only to annual reporting periods beginning on or after 30 June 2007.</td><td>Applies to annual reporting periods beginning on or after
1 January 2011</td><td>Optional</td></tr>
</table>

New and revised Interpretations

New or revised requirement	When effective	Applicability to 31 December 2010 half years
Interpretation 19 *Extinguishing Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* Interpretation 19 requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instruments issued and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of convertible debt) or to common control transactions.	Applies to annual periods beginning on or after 1 July 2010 (applied retrospectively from the beginning of the earliest comparative period presented)	Mandatory

Pronouncements approved by the IASB/IFRIC where an equivalent pronouncement has not been issued by the AASB

New or revised requirement	When effective	Applicability to 31 December 2010 half years
International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) This Standard provides an alternative framework that can be applied by eligible entities in place of the full set of International Financial Reporting Standards (IFRSs) on issue. The IFRS for SMEs is a self-contained Standard, incorporating accounting principles that are based on full IFRSs but that have been simplified to suit the entities within its scope (known as SMEs). By removing some accounting treatments permitted under full IFRSs, eliminating topics and disclosure requirements that are not generally relevant to SMEs, and simplifying requirements for recognition and measurement, the IFRS for SMEs reduces the volume of accounting requirements applicable to SMEs by more than 90 per cent when compared with the full set of IFRSs.	The IASB has not set an effective date for the Standard because the decision as to whether to adopt the IFRS for SMEs (and also, therefore, the timing for adoption) is a matter for each jurisdiction	N/A The AASB has tentatively decided not to implement the IFRS for SMEs in the Australian context at this time, instead proposing eliminating the reporting entity concept and introducing a 'reduced disclosure regime' (RDR), refer to AASB 1053 *Application of Tiers of Australian Accounting Standards* above.
Conceptual Framework: Chapter 1: The objective of general purpose financial reporting and Chapter 3: Qualitative characteristics of useful financial information The IASB and the FASB have completed the first phase of their joint project to develop an improved and converged conceptual framework for International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (US GAAP), issuing Chapter 1: *The objective of general purpose financial reporting* and Chapter 3: *Qualitative characteristics of useful financial information*. Chapter 1 and Chapter 3 replace the corresponding paragraphs of the current *Framework*.	N/A	Mandatory
Disclosures – Transfers of Financial Assets (Amendments to IFRS 7 Financial Instruments: Disclosures) The amendments increase the disclosure requirements where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale. The amendments also require disclosure where transfers of financial assets are not evenly distributed throughout the period to create transparency around transactions that may be motivated by window dressing (e.g. where transfers occur near the end of a reporting period). Comparative disclosures are not required for periods before the date of initial application.	Applies to annual reporting periods beginning on or after 1 July 2011	Optional
Additions to IFRS 9 for financial liability accounting The IASB has issued requirements on the accounting for financial liabilities. These requirements will be added to IFRS 9 *Financial Instruments* and complete the classification and measurement phase of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new requirements address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value (referred to as the 'own credit' problem). The IASB has maintained the existing amortised cost measurement for most liabilities, limiting change to that required to address the own credit problem. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income rather than within profit and loss.	Applies to annual reporting periods beginning on or after 1 January 2013. Entities are permitted to apply the new requirements in earlier periods, however, if they do, they must also apply the requirements in IFRS 9 that relate to financial assets	Optional

Online resources

Deloitte Australia website

Regulation is a given in this post-Enron and post-financial crisis world. New challenges – and opportunities – arise on an almost daily basis: International Financial Reporting Standards, Corporations law changes, Carbon, best practice Corporate Governance, and the list goes on. Responding to these challenges and making the most of the opportunities they present is a critical objective of boards, audit committees and senior management alike.

Access to information about these important developments and understanding their practical and commercial implications is a crucial part of your organisation's response. In this regard, we've recently relaunched a transformed and updated Assurance and Advisory website to assist you. In response to your feedback, the site has been restructured with hot topics, easier navigation, expert accounting technical information (including archives) and more detailed information about our services. The new site and content is designed to assist you quickly find the information suited to your needs.

Why not visit our new site now at http://www.deloitte.com/au/AssuranceAdvisory.

In keeping with the theme of easy access to critical information, you can also use our Quick links to get to the information on topics of key importance to you, such as:

- IFRS - www.deloitte.com/au/IFRS
- Monthly Roundups of developments – www.deloitte.com/au/MonthlyRoundup
- Advisory Services – www.deloitte.com/au/AdvisoryServices
- Carbon Reporting – www.deloitte.com/au/CarbonReporting
- Accounting alerts – www.deloitte.com/au/AccountingAlerts

Our most popular quick links can be found here – www.deloitte.com/au/QuickLinks and you can easily bookmark your favourites from this page.

IAS Plus website

Our IAS Plus website provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board, International Financial Reporting Standards, and international accounting and auditing in general.

Access the site at www.iasplus.com

Other websites

- AASB – www.aasb.gov.au
- ASIC – www.asic.gov.au
- ASX – www.asx.com.au
- IASB – www.iasb.org
- FASB – www.fasb.org (in addition to US-GAAP information, contains information on joint IASB/FASB projects)

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Section B
Model half-year report

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About the model half-year report

Purpose

This model half-year report has been developed by Deloitte Touche Tohmatsu to assist users with the preparation of **half-year reports** for a **consolidated entity** in accordance with:

- provisions of the *Corporations Act 2001*; and
- Australian Accounting Standard AASB 134 *Interim Financial Reporting*
- other requirements and guidelines current as at the date of issue, including Australian Stock Exchange ('ASX') Listing Rules and Australian Securities and Investments Commission ('ASIC') Class Orders and Regulatory Guides.

Where appropriate, this model half-year report also adopts the classification criteria and other guidance contained in Accounting Standard AASB 101 *Presentation of Financial Statements* (2007).

This model half-year report is not designed to meet specific needs of specialised industries and not-for-profit entities. Rather, it is intended to meet the needs of the vast majority of entities in complying with the half-year reporting requirements of the *Corporations Act 2001*. Inquiries regarding specialised industries (e.g. life insurance companies, credit unions, etc.) should be directed to an industry specialist at your nearest Deloitte Touche Tohmatsu office.

This model half-year report does not, and cannot be expected to 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.

This publication is an illustration only and does not represent the only manner in which an entity's reporting obligations may be met. Deloitte strongly encourages preparers of financial statements to ensure that disclosures made in their half-year reports are relevant, practical and useful.

About GAAP Holdings (Australia) Interim Limited

GAAP Holdings (Australia) Interim Limited is a **listed for-profit disclosing entity**, and is assumed to have presented financial statements in accordance with Australian Accounting Standards for a number of years. Therefore, it is **not a first-time adopter** of Australian Accounting Standards. AASB 1 *First-time Adoption of Australian Accounting Standards* includes additional disclosure requirements for interim periods covered by an entity's first Australian-Accounting-Standards financial statements – these are not illustrated in this publication.

The interim financial report illustrates the **presentation of a set of condensed financial statements**, as envisaged by AASB 134.8. If a complete set of financial statements is published in the interim financial report, the form and content of those statements should conform to the requirements of AASB 101 *Presentation of Financial Statements* for a complete set of financial statements.

GAAP Holdings (Australia) Interim Limited's year end is 30 June 2011. Accordingly, it is preparing a half-year report for the half-year ending 31 December 2010.

Note: This publication illustrates the half-year report of a fictional listed company GAAP Holdings (Australia) Interim Limited. Accordingly, users of this publication should not attempt to cross-reference back 'facts' and figures in this model half-year report to the Deloitte 2010 *Model Financial Statements*.

Source references

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

Abbreviations used in this illustration are as follows:

AASB	Australian Accounting Standards Board, or reference to an Accounting Standard issued by the Australian Accounting Standards Board
ASIC	Australian Securities and Investments Commission
ASIC-CO	Australian Securities and Investments Commission Class Order issued pursuant to s.341(1) of the Corporations Act 2001
ASIC-RG	Australian Securities and Investments Commission Regulatory Guide
ASX	Australian Stock Exchange Limited, or reference to a Listing Rule of the Australian Stock Exchange
IASB	International Accounting Standards Board
IFRS/IAS	International Financial Reporting Standard issued by the IASB or its predecessor
IFRIC	International Financial Reporting Interpretations Committee or its predecessor, or reference to an Interpretation issued by the International Financial Reporting Interpretations Committee
Int	Interpretation issued by the AASB
Reg	Regulation of the *Corporations Regulations 2001*
s.	Section of the *Corporations Act 2001*

ASX Appendix 4D

(listed entities only)

ASX4.2A.3

ASX listed entities must provide the following information to the ASX under ASX Listing Rule 4.2A.3:

(a) details of the reporting period and the previous corresponding period;

(b) key information in relation to the following. This information must be identified as ‘Results for announcement to the market’ and placed at the beginning of the report:

  (i) the amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities;

  (ii) the amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members;

  (iii) the amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members;

  (iv) the amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends;

  (v) the record date for determining entitlements to the dividends (if any); and

  (vi) a brief explanation of any of the figures in (i) to (iv) necessary to enable the figures to be understood;

(c) net tangible assets per security with the comparative figure for the previous corresponding period;

(d) details of entities over which control has been gained or lost during the period, including the following:

  (i) name of the entity;

  (ii) the date of the gain or loss of control; and

  (iii) where material to an understanding of the report – the contribution of such entities to the reporting entity’s profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period;

(e) details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if known) the amount per security of foreign sourced dividend or distribution;

(f) details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan;

(g) details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity’s percentage holding in each of these entities and – where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period;

(h) for foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards); and

(i) for all entities, if the accounts are subject to audit dispute or qualification, a description of the dispute or qualification. The audit report or review report must be provided as part of the report to the ASX.

Other than the information identified as ‘Results for announcement to the market’ (point (b) above), the information may be presented in whatever way is the most clear and helpful to users, e.g. combined with the body of the report, combined with notes to the accounts, or set out separately.

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GAAP Holdings (Australia) Interim Limited

ABN 12 345 678 900

Half year report for the half-year ended 31 December 2010

Source	GAAP Holdings (Australia) Interim Limited

Directors' report

ASIC-CO 98/2395

Information required by s.306 may be transferred to a document attached to the directors' report and half-year financial report where a clear cross reference to the pages containing the excluded information exists and certain conditions are satisfied. Where the information is transferred to the half-year financial report it will be subject to audit or review.

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'.

The directors of GAAP Holdings (Australia) Interim Limited submit herewith the financial report of GAAP Holdings (Australia) Interim Limited and its subsidiaries (the Group) for the half-year ended 31 December 2010. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

s.306(1)(b)

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

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

s.306(1)(b)

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

- Mr W.K. Flinders – resigned 20 July 2010
- Ms S.M. Saunders – appointed 2 August 2010
- Ms L.A. Lochert – appointed 30 July 2010 and resigned 3 December 2010

Review of operations

s.306(1)(a)

The directors' report must contain a review of the consolidated entity's operations during the half-year and the results of those operations. The *Corporations Act 2001* contains no guidance on the contents of this review.

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 the consolidated 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.

Recommended contents of the review of operations include:

(a) overview:
   i. objectives of the consolidated entity and how they are achieved within the specific operating environment and industry within which the consolidated entity operates;
   ii. performance and indicators used by management; and
   iii. dynamics of the consolidated entity 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 consolidated entity 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;

Source	GAAP Holdings (Australia) Interim Limited

(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 consolidated entity 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.

Auditor's independence declaration

s.306(2)
The auditor's independence declaration is included on page B6 of the half-year report.

ASIC-CO 98/2395
The auditor's declaration under s.307C in relation to the audit or review for the half-year may be transferred from the directors' report into a document which is included with the directors' report and the half-year financial report. The auditor's independence declaration may not be transferred to the half-year financial report. The directors' report must include a clear cross-reference to the page(s) containing the auditor's declaration.

True and fair view

s.306(2)
If the half-year financial report includes additional information in the notes to the condensed consolidated financial statements necessary to give a true and fair view of the financial performance and position of the disclosing entity (including the consolidated entity), the directors' report 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.305; and

(b) specify where that information can be found in the half-year financial report.

ASIC-CO 98/2395
This additional information may not be transferred to the half-year financial report.

Rounding off of amounts

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 half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

ASIC-CO 98/0100
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 half-year financial report are rounded, that fact must be disclosed in the financial report or the directors' report.

s.306(3)
Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

(Signature)

s.306(3) C.J. Chambers
Director

s.306(3) Melbourne, 15 February 2011

Source	GAAP Holdings (Australia) Interim Limited

Auditor's independence declaration

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Deloitte.

The Board of Directors
GAAP Holding (Australia) Interim Limited
167 Admin Ave
SYDNEY NSW 2000

15 February 2011

Dear Board Members,

GAAP Holdings (Australia) Interim Limited

s.306(2), 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 GAAP Holdings (Australia) Interim Limited.

As lead audit partner for the review of the financial statements of GAAP Holdings (Australia) Interim Limited for the half-year ended 31 December 2010, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

T.L. Green
Partner
Chartered Accountants

Source	GAAP Holdings (Australia) Interim Limited
s.307C(1), (3)	If an audit firm, audit company or individual auditor conducts an audit or review of the financial report for a half-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 or review; and (ii) no contraventions of any applicable code of professional conduct in relation to the audit or review; 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 review; or (ii) any applicable code of professional conduct in relation to the audit or review; are those contraventions details of which are set out in the declaration.
s.307C(5)(a)	The auditor's independence declaration must be given when the audit report is given to the directors of the company, registered scheme or disclosing entity (other than when the conditions in s.307(5A) are satisfied – see below) and must be signed by the person making the declaration.
s.307C(5A)	A declaration under s.307C(1) or s.307C(3) in relation to a financial report for a half-year satisfies the conditions in this subsection if: (a) the declaration is given to the directors of the company, registered scheme or disclosing entity before the directors pass a resolution under s.306(3) in relation to the directors' report for the half-year; and (b) a director signs the directors' report within 7 days after the declaration is given to the directors; and (c) the auditors' report on the financial report is made within 7 days after the directors' report is signed; and (d) the auditors' report includes either of the following statements: (i) a statement to the effect that the declaration would be in the same terms if it had been given to the directors at the time that auditors' report was made; (ii) a statement to the effect that circumstances have changed since the declaration was given to the directors, and setting out how the declaration would differ if it had been given to the directors at the time the auditor's report was made.
s.307C(5B)	An individual auditor or lead auditor is not required to give a declaration under s.307(1) and s.307(3) in respect of a contravention if: (a) the contravention was a contravention by a person of s.324CE(2) or s.324CG(2) (strict liability contravention of specific independence requirements by individual auditor or audit firm), or s.324CF(2) (contravention of independence requirements by members of audit firms); and (b) the person does not commit an offence because of s.324CE(4), s.324CF(4) or s.324CG(4) (quality control system defence).

Source	GAAP Holdings (Australia) Interim Limited

Independent auditors' report

An independent auditor's report shall be prepared by the auditor in accordance with the Australian Auditing Standards.
This publication does not include an model auditors' report.

Source	GAAP Holdings (Australia) Interim Limited

Directors' declaration

The directors declare that:

s.303(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.303(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 consolidated entity.

s.303(5) Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

(Signature)
s.303(5) C.J. Chambers
Director

s.303(5) Melbourne, 15 February 2011

Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2010

(Alt 1: Single statement presentation, with expenses analysed by function)

	Note	Consolidated Half-year ended 31 Dec 2010 $'000	Consolidated Half-year ended 31 Dec 2009 $'000
Continuing operations			
Revenue from sale of goods		450,077	297,336
Cost of sales		(272,632)	(176,297)
Gross profit		177,445	121,039
Investment revenue		2,927	1,043
Gain recognised on disposal of interest in former associate	6	582	-
Other income		8,650	6,037
Distribution expenses		(73,274)	(55,807)
Administrative expenses		(78,243)	(52,185)
Finance costs		(11,859)	(8,492)
Other expenses		(1,838)	(1,410)
Share of profit of associates and jointly controlled entities		4,818	1,669
Profit/(loss) before tax		29,208	11,894
Income tax expense		(4,598)	(1,290)
Profit/(loss) for the period from continuing operations		24,610	10,604
Discontinued operation			
Profit/(loss) for the period from discontinued operation	11	2,691	(1,168)
Profit/(loss) for the period		27,301	9,436
Other comprehensive income			
Exchange differences arising on translation of foreign operations		3,351	1,023
Gain/(loss) on available-for-sale investments taken to equity		(233)	(125)
Gain/(loss) on cash flow hedges taken to equity		(412)	77
Gain/(loss) on revaluation of property		32,094	(2,113)
Share of other comprehensive income of associates		-	-
Income tax relating to components of other comprehensive income		(4,695)	380
Other comprehensive income for the period (net of tax)		30,105	(758)
Total comprehensive income for the period		57,406	8,678
Profit attributable to:			
Owners of the parent		20,705	6,776
Non-controlling interests		6,596	2,660
		27,301	9,436
Total comprehensive income attributable to:			
Owners of the parent		50,810	6,018
Non-controlling interests		6,596	2,660
		57,406	8,678
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		17.2	5.6
Diluted (cents per share)		11.5	4.3
From continuing operations			
Basic (cents per share)		15.0	6.6
Diluted (cents per share)		10.0	5.0

Notes to the condensed consolidated financial statements are included on pages B24 to B34.

Source references: AASB134.8(b)(i), 10, 11, 14 and 20(b)

Source reference

Alt 1 above illustrates the presentation of comprehensive income in one statement. Alt 2 (see next pages) illustrates the presentation of comprehensive income in two statements.

Whichever presentation is selected, the distinction is retained between items recognised in profit or loss and items recognised in other comprehensive income. The only difference between the one-statement and the two-statement approaches is that, for the latter, a total is struck in the separate income statement at 'profit for the year' (this is the same amount as is presented as a sub-total under the one-statement approach). This 'profit for the year' is then the starting point for the statement of comprehensive income, which is required to be presented immediately following the income statement. Under the two-statement approach, the analysis of 'profit for the year' between the amount attributable to the owners of the parent and the amount attributable to non-controlling interests is presented at the end of the separate income statement.

Irrespective of whether the one-statement or the two-statement approach is followed, for the components of other comprehensive income, additional presentation options are available, as follows.

AASB101.90
- The individual components may be presented net of tax in the statement of comprehensive income, or they may be presented gross with a single line deduction for tax. W
- For reclassification adjustments, an aggregated presentation may be adopted, or alternatively, the current year gain or loss and reclassification adjustments are shown separately in the statement of comprehensive income.

AASB101.93
Alt 1 aggregates expenses according to their function.

Condensed consolidated income statement for the half-year ended 31 December 2010

(Alt 2: Presentation as two statements, with expenses analysed by nature)

	Note	Consolidated Half-year ended 31 Dec 2010 $'000	Consolidated Half-year ended 31 Dec 2009 $'000
Continuing operations			
Revenue from sale of goods		450,077	297,336
Investment revenue		2,927	1,043
Gain recognised on disposal of interest in former associate	6	582	-
Other income		8,650	6,037
Changes in inventories of finished goods and work in progress		5,446	7,329
Raw materials and consumables used		(283,336)	(167,366)
Employee benefits expense		(133,100)	(111,760)
Depreciation and amortisation expense		(14,302)	(12,498)
Finance costs		(11,859)	(8,492)
Other expenses		(695)	(1,404)
Share of profit of associates and jointly controlled entities		4,818	1,669
Profit/(loss) before tax		29,208	11,894
Income tax expense		(4,598)	(1,290)
Profit/(loss) for the period from continuing operations		24,610	10,604
Discontinued operation			
Profit/(loss) for the period from discontinued operation	11	2,691	(1,168)
Profit/(loss) for the period		27,301	9,436
Attributable to:			
Owners of the parent		20,705	6,776
Non-controlling interests		6,596	2,660
		27,301	9,436
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		17.2	5.6
Diluted (cents per share)		11.5	4.3
From continuing operations			
Basic (cents per share)		15.0	6.6
Diluted (cents per share)		10.0	5.0

Notes to the condensed consolidated financial statements are included on pages B23 to B34.

Source references: AASB134.8(b)(ii), 10, 11, 11A, 14 and 20(b)

The format outlined above aggregates expenses according to their nature.
See previous page for a discussion of the format of the statement of comprehensive income. Note that where the two-statement approach is adopted (above and on the next page), as required by AASB101.12, the income statement must be displayed immediately before the statement of comprehensive income.

Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2010

(Alt 2: Presentation as two statements, with expenses analysed by nature – continued)

	Note	Consolidated Half-year ended 31 Dec 2010 $'000	31 Dec 2009 $'000
Profit (loss) for the period		27,301	9,436
Other comprehensive income			
Exchange differences arising on translation of foreign operations		3,351	1,023
Gain/(loss) on available-for-sale investments taken to equity		(233)	(125)
Gain/(loss) on cash flow hedges taken to equity		(412)	77
Gain/(loss) on revaluation of property		32,094	(2,113)
Share of other comprehensive income of associates		-	-
Income tax relating to components of other comprehensive income		(4,695)	380
Other comprehensive income for the period (net of tax)		30,105	(758)
Total comprehensive income for the period		57,406	8,678
Total comprehensive income attributable to:			
Owners of the parent		50,810	6,018
Non-controlling interests		6,596	2,660
		57,406	8,678

Notes to the condensed consolidated financial statements are included on pages B23 to B34.

Source references: AASB134.8(b)(ii), 10, 11, 14 and 20(b)

The guidance below is extracted from Accounting Standards as they relate to the preparation of the primary financial statements for an annual financial report. Some required disclosures are permitted to be made either on the face of the financial statements or in the notes to the financial statements. Where an entity chooses to disclose such items on the face of the financial statements in the annual financial report, they should also be presented on the face of the financial statements in the interim financial report. Where an entity chooses to disclose such items in the notes to the financial statements in the annual financial report, such disclosures are not required in the interim financial report unless they are otherwise required by AASB 134.

Similarly, some requirements of the Accounting Standards relating to the preparation of the primary financial statements for an annual financial report require disclosures in the notes to the financial statements. Where disclosures are required only in the notes to the financial statements in the annual financial report, such disclosures are not required in the interim financial report unless they are otherwise required by AASB 134.

Source reference

Presentation of revenues and expenses

AASB101.81 An entity shall present all items of income and expense recognised in a period:

(a) in a single statement of comprehensive income; or
(b) in two statements
  (i) a statement displaying components of profit or loss (separate income statement); and
  (ii) a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).

AASB101.82 As a minimum, the statement of comprehensive income shall include line items that present the following amounts for the period:

(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:
  (i) the post-tax profit or loss of discontinued operations; and
  (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation;
(f) profit or loss;
(g) each component of other comprehensive income classified by nature (excluding amounts in (h));
(h) share of the other comprehensive income of associates and joint ventures accounted for using the equity method; and
(i) total comprehensive income.

AASB101.84 An entity may present in a separate income statement the line items in paragraph a – f (above) and the allocation of profit or loss for the period between non-controlling interest and owners of the parent.

AASB101.83 An entity shall disclose the following allocations in the statement of comprehensive income for the period:

(a) profit or loss for the period attributable to:
  (i) non-controlling interest; and
  (ii) owners of the parent; and
(b) total comprehensive income for the period attributable to:
  (i) non-controlling interest; and
  (ii) owners of the parent.

AASB101.88 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.

Examples of items of income and expense recognised directly in equity not illustrated in these model financial statements include:

- 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.

Source reference	
AASB101.99,100	An entity shall present, in the statement of comprehensive income or in the separate income statement (if presented), or in the notes, an analysis of expenses recognised in profit or loss using a classification based on either their nature 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 separate income statement and in the statement of comprehensive income respectively as is encouraged by the Accounting Standard.
AASB101.105	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.
AASB101.29, 30 AASB101.31	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.
	Offsetting
AASB101.32	An entity shall not offset income and expenses, unless required or permitted by an Australian Accounting Standard.
AASB101.34	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. An entity presents the results of such transactions, 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: (a) an entity presents gains and losses on the disposal of non-current assets, including investments and operating assets, by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; and (b) an entity may net 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) against the related reimbursement.
AASB101.35	An entity presents on a net basis gains and losses arising from a group of similar transactions, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. However, an entity presents such gains and losses separately if they are material.
	Disclosure of specific revenues and expenses
AASB101.97	When items of income and expense are material, an entity shall disclose their nature and amount separately either in the statement of comprehensive income and the separate income statement (if presented) or in the notes.
	Disclosure of additional information
AASB101.85	An entity shall present additional line items, headings and subtotals in the statement of comprehensive income and the separate income statement (if presented), when such presentation is relevant to an understanding of the entity's financial performance.
	Prohibition on extraordinary items
AASB101.87	An entity shall not present any items of income or expense as extraordinary items, in the statement of comprehensive income or the separate income statement (if presented), or in the notes.
	Other comprehensive income for the period
AASB119.93B	Where an entity recognises actuarial gains and losses with respect to defined benefit plans in other comprehensive income, the entity must present these in the statement of comprehensive income. An illustrative example of a statement of comprehensive income is presented on page B10.

Condensed consolidated statement of financial position as at 31 December 2010

	Note	Consolidated 31 Dec 2010 $'000	Consolidated 30 June 2010 $'000
Current assets			
Cash and cash equivalents		5,609	1,175
Trade and other receivables		181,464	142,062
Other financial assets		90,120	77,606
Inventories		108,199	91,815
Current tax assets		-	-
Other		1,836	1,798
		387,228	314,456
Assets classified as held for sale		-	-
Total current assets		387,228	314,456
Non-current assets			
Investments accounted for using the equity method	6	50,518	12,204
Other financial assets		98,310	128,997
Property, plant and equipment		622,227	567,512
Investment property		-	-
Deferred tax assets		4,118	3,872
Goodwill	7	3,010	3,562
Other intangible assets		26,985	21,294
Other		7,746	12,908
Total non-current assets		812,914	750,349
Total assets		1,200,142	1,064,805
Current liabilities			
Trade and other payables		80,862	48,890
Borrowings	9	171,352	128,633
Other financial liabilities		1,470	1,483
Current tax payables		8,229	1,986
Provisions		6,432	2,065
Other		-	-
		268,345	183,057
Liabilities directly associated with assets classified as held for sale		-	-
Total current liabilities		268,345	183,057
Non-current liabilities			
Borrowings	9	477,966	490,393
Other financial liabilities		36,637	44,004
Deferred tax liabilities		12,025	2,972
Provisions		2,118	-
Other		-	-
Total non-current liabilities		528,746	537,369
Total liabilities		797,091	720,426
Net assets		403,051	344,379
Equity			
Issued capital	8	142,343	142,343
Reserves		68,732	37,341
Retained earnings		174,059	159,119
		385,134	338,803
Amounts recognised directly in equity relating to assets classified as held for sale		-	-
Equity attributable to owners of the parent		385,134	338,803
Non-controlling interest		17,917	5,576
Total equity		403,051	344,379

Notes to the condensed consolidated financial statements are included on pages B23 to B34.

Source references: AASB134.8(a), 10, 14 and 20(a)

The guidance below is extracted from Accounting Standards as they relate to the preparation of the primary financial statements for an annual financial report. Some required disclosures are permitted to be made either on the face of the financial statements or in the notes to the financial statements. Where an entity chooses to disclose such items on the face of the financial statements in the annual financial report, they should also be presented on the face of the financial statements in the interim financial report. Where an entity chooses to disclose such items in the notes to the financial statements in the annual financial report, such disclosures are not required in the interim financial report unless they are otherwise required by AASB 134.

Similarly, some requirements of the Accounting Standards relating to the preparation of the primary financial statements for an annual financial report require disclosures in the notes to the financial statements. Where disclosures are required only in the notes to the financial statements in the annual financial report, such disclosures are not required in the interim financial report unless they are otherwise required by AASB 134.

Source reference

Current/non-current vs. liquidity presentation

AASB101.60, 61 — 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:

AASB101.66 — (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 period; 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 period;

AASB101.69 — (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 period; or
- iv. the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

AASB101.60 — 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

AASB101.68 — 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.

AASB101.68, 70 — When an entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.

AASB101.66, 69 — 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.

AASB101.68, 70 — 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 period.

Refinancing liabilities

AASB101.72 — 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 the reporting period, 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 period and before the financial report is authorised for issue.

Source reference	
AASB101.73	However, if an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting period 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
AASB101.74	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 period, and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach.
AASB101.75	However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least 12 months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.
	Offsetting
AASB101.32	An entity shall not offset assets and liabilities, unless required or permitted by an Accounting Standard, for example, AASB 132 *Financial Instruments: Disclosure and Presentation*.
	<u>Income taxes</u>
AASB112.71	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.
	Presentation of a non-current asset or disposal group classified as held for sale
AASB5.40	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 statements of financial position for prior periods to reflect the classification in the statements of financial position for the latest period presented.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2010

Consolidated	Issued capital $'000	Asset revaluation reserve $'000	Investments revaluation reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Other reserve $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interest $'000	Total $'000
Balance as at 1 July 2009	142,343	39,552	6,875	1,501	(7,329)	-	149,786	332,728	1,158	333,886
Profit for the period	-	-	-	-	-	-	6,776	6,776	2,660	9,436
Other comprehensive income for the year	-	(1,733)	(125)	77	1,023	-	-	(758)	-	(758)
Total comprehensive income for the period	-	(1,733)	(125)	77	1,023	-	6,776	6,018	2,660	8,678
Payment of dividends	-	-	-	-	-	-	(14,472)	(14,472)	-	(14,472)
Balance at 31 December 2009	142,343	37,819	6,750	1,578	(6,306)	-	142,090	324,274	3,818	328,092
Balance at 1 July 2010	142,343	34,418	6,390	1,156	(4,623)	-	159,119	338,803	5,576	344,379
Profit for the period	-	-	-	-	-	-	20,705	20,705	6,596	27,301
Other comprehensive income for the year	-	27,399	(233)	(412)	3,351	-	-	30,105	-	30,105
Total comprehensive income for the period	-	27,399	(233)	(412)	3,351	-	20,705	50,810	6,596	57,406
Payment of dividends	-	-	-	-	-	-	(5,765)	(5,765)	-	(5,765)
Difference arising on disposal of interest in Sub B Limited (note 11)	-	-	-	-	-	1,286	-	1,286	3,214	4,500
Non-controlling interests arising on the acquisition of Sub X Limited (note 12)	-	-	-	-	-	-	-	-	2,531	2,531
Balance at 31 December 2010	142,343	61,817	6,157	744	(1,272)	1,286	174,059	385,134	17,917	403,051

Notes to the condensed consolidated financial statements are included on pages B23 to B34.

Source references: AASB134.8(c), 10, 14 and 20(c)

The guidance below is extracted from Accounting Standards as they relate to the preparation of the primary financial statements for an annual financial report. Some required disclosures are permitted to be made either on the face of the financial statements or in the notes to the financial statements. Where an entity chooses to disclose such items on the face of the financial statements in the annual financial report, they should also be presented on the face of the financial statements in the interim financial report. Where an entity chooses to disclose such items in the notes to the financial statements in the annual financial report, such disclosures are not required in the interim financial report unless they are otherwise required by AASB 134.

Similarly, some requirements of the Accounting Standards relating to the preparation of the primary financial statements for an annual financial report require disclosures in the notes to the financial statements. Where disclosures are required only in the notes to the financial statements in the annual financial report, such disclosures are not required in the interim financial report unless they are otherwise required by AASB 134.

Source reference

AASB101.106

An entity shall present a statement of changes in equity showing in the statement:

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interest;
(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and
(d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
  (i) profit or loss;
  (ii) each item of other comprehensive income; and
  (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

AASB101.107
AASB 101.BC75

An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount per share. (Note that presentation of dividend disclosures in the income statement is no longer permitted.)

An illustrative example of a statement of changes in equity is presented on page B19.

AASB101.109

Changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with owners in their capacity as owners (such as 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 expense, including gains and losses, generated by the entity's activities during that period.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2010

		Consolidated	
		Half-year ended	
	Note	31 Dec 2010 $'000	31 Dec 2009 $'000
Cash flows from operating activities			
Receipts from customers		476,235	251,653
Payments to suppliers and employees		(440,157)	(194,800)
Interest and other costs of finance paid		(7,407)	(6,052)
Income tax paid		(5,487)	(4,321)
Net cash provided by operating activities		23,184	46,480
Cash flows from investing activities			
Payment for investment securities		(15,807)	(19,262)
Proceeds on sale of investment securities		35,007	-
Interest received		11,531	9,939
Dividends received		156	150
Proceeds from repayment of related party loans		-	-
Amounts advanced to related parties		-	(12,415)
Payment for property, plant and equipment		(93,669)	(28,940)
Proceeds from sale of property, plant and equipment		33,386	9,827
Payment for intangible assets		(6,406)	-
Capitalised development costs paid		-	-
Additional interests acquired in associates and jointly controlled entities	6	(34,519)	-
Proceeds from sale of interests in associates	6	1,245	
Proceeds from sale of businesses	11	35,400	-
Payment for businesses	12	(9,491)	-
Net cash used in investing activities		(43,167)	(40,701)
Cash flows from financing activities			
Proceeds from issues of equity securities		-	-
Payment for share issue costs		-	-
Payment for share buy-back:			
- owners of the parent entity		-	-
- non-controlling interests		-	-
Proceeds from issue of debt securities			
Payment for debt issue costs		-	-
Proceeds from borrowings	9	50,000	30,000
Repayment of borrowings	9	(19,818)	(18,230)
Dividends paid:			
- members of the parent entity	5	(5,765)	(14,472)
- non-controlling interests		-	-
Net cash used in financing activities		24,417	(2,702)
Net (decrease)/increase in cash and cash equivalents		4,434	3,077
Cash and cash equivalents at the beginning of the period		1,175	2,033
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	-
Cash and cash equivalents at the end of the period		5,609	5,110

Notes to the condensed consolidated financial statements are included on pages B23 to B34.

Source references: AASB134.8(d), 10, 14 and 20(d)

The guidance below is extracted from Accounting Standards as they relate to the preparation of the primary financial statements for an annual financial report. Some required disclosures are permitted to be made either on the face of the financial statements or in the notes to the financial statements. Where an entity chooses to disclose such items on the face of the financial statements in the annual financial report, they should also be presented on the face of the financial statements in the interim financial report. Where an entity chooses to disclose such items in the notes to the financial statements in the annual financial report, such disclosures are not required in the interim financial report unless they are otherwise required by AASB 134.

Similarly, some requirements of the Accounting Standards relating to the preparation of the primary financial statements for an annual financial report require disclosures in the notes to the financial statements. Where disclosures are required only in the notes to the financial statements in the annual financial report, such disclosures are not required in the interim financial report unless they are otherwise required by AASB 134.

Source reference

Operating activities

AASB107.14 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 that is included in recognised profit or loss. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of AASB 116 *Property, Plant and Equipment* are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

AASB107.18 Entities shall report cash flows from operations using the direct method or indirect method.

AASB107.19 Entities are encouraged to report cash flows from operating activities using the direct method.

AASB107.Aus20.1 When the direct method is used, a reconciliation of cash flows arising from operating activities to profit or loss shall be disclosed in the complete set of financial statements.

Investing activities

AASB107.16 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. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. 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);

Source reference

(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.

Financing activities

AASB107.17 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.

Interest and dividends

AASB107.31 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.

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 profit or loss or capitalised in accordance with 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 may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, 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.

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 which reports its interest in a jointly controlled entity (see AASB 131 *Interests in Joint Ventures*) using proportionate consolidation, includes in its consolidated cash flow statement its proportionate share of the jointly controlled entity's cash flows. An entity which reports such an interest using the equity method 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 statements in a way that provides all the relevant information about these investing and financing activities.

Source reference

AASB134.8(e)

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

AASB134.19

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have 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 98/0100

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 half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

AASB134.16(a)

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New or revised Standards and Interpretations that are first effective in the current reporting period

The disclosures below illustrate the types of disclosure that should be made in respect of changes resulting from the adoption of the new or revised Standards and Interpretations. Users of this model half-year report are encouraged to refer to Section A 'What's new for financial reports at December 2010?' to determine the Standards and Interpretations that are now effective and the impact of adoption of these Standards and Interpretations on financial reporting for the half-year ended 31 December 2010. Please contact your Deloitte advisor for further information about the implications of the new or revised Standards and Interpretations to your business.

AASB134.16(a), s.334(5)

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no affect on the amounts reported for the current or prior periods. However, the only amendment that has had a material impact and resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements is the presentation of development costs in the statements of cash flows. AASB 107 *Statement of Cash Flows* has been amended through AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statements of cash flows.

Source reference

1. Significant accounting policies (cont'd)

Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 *Intangible Assets* for capitalization as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. Prior year amounts have been restated for consistent presentation.

AASB134.16(a) Where accounting policy or methods of computation changes have been made since the most recent annual financial statements, the half-year financial report shall include a description of the nature and effect of the change.

AASB134.43 A change in accounting policy, other than one for which the transition is specified by a new Australian Accounting Standard, shall be reflected by:

(a) restating the financial statements of the comparable half-year period of any prior annual reporting periods that will be restated in the annual financial statements in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; or

(b) when it is impracticable to determine the cumulative effect at the beginning of the annual reporting period of applying a new accounting policy to all prior periods, adjusting the financial statements of the comparable half-year period of any prior annual reporting periods to apply the new accounting policy prospectively from the earliest date practicable.

AASB134.44 That is, any change in accounting policy is applied either retrospectively or, if that is not practicable, prospectively, from no later than the beginning of the annual reporting period.

2. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

AASB134.16(g)(v) Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused on the category of customer for each type of good. The principal categories of customer for these goods are direct sales to major customers, wholesalers, retailers and internet sales. The Group's reportable segments under AASB 8 are therefore as follows:

- Electronic equipment – direct sales
- Electronic equipment – wholesalers and retail outlets
- Electronic equipment – internet sales
- Leisure goods – wholesalers
- Leisure goods – retail outlets
- Other

The leisure goods reportable segments supply sports shoes and equipment, outdoor play equipment and, prior to discontinuation (see below), toys. The electronic equipment reportable segments supply media equipment such as televisions and DVD recorders.

'Other' is the aggregation of the Group's other operating segments that are not separately reportable. Included in 'Other' are operating segments for the Group's activities in the development, sale and installation of computer software for specialised business applications, leasing of specialised storage equipment, and construction services.

In prior periods, the Group was involved in the manufacture and sale of toys. The toy operation was included within the leisure goods reportable segment. That operation was discontinued with effect from 31 October 2010 (see note 11).

AASB134.16(g)(v) Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Source reference

2. Segment information (cont'd)

AASB134.16(g)(i), (iii)

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Revenue		Segment profit	
	Half-year ended		Half-year ended	
	31 Dec 2010 $'000	31 Dec 2009 $'000	31 Dec 2010 $'000	31 Dec 2009 $'000
Continuing operations				
Electronic equipment – direct sales	99,817	64,116	7,642	4,309
Electronic equipment – wholesalers and retail outlets	84,106	43,339	6,719	2,895
Electronic equipment – internet sales	81,117	40,746	6,339	2,693
Leisure goods – wholesalers*	98,411	83,554	7,722	5,589
Leisure goods – retail outlets*	79,700	50,339	6,319	3,367
Other	6,926	15,242	933	1,487
	450,077	297,336	35,674	20,340
Investment revenue			2,927	1,043
Central administration and directors' salaries			(2,934)	(2,666)
Finance costs			(11,859)	(8,492)
Gain recognised on disposal of interest in former associate			582	-
Share of profit of associates			4,818	1,669
Other [describe]			-	-
Profit before tax (AASB134.16(g)(vi))			29,208	11,894
Discontinued operations				
Leisure goods – wholesalers (toys)	35,714	34,977	557	879
Leisure goods – retail outlets (toys)	28,033	20,288	(625)	(1,829)
	63,747	55,265	(68)	(950)
Central administration costs			(386)	(362)
Gain on disposal of toy operation			3,883	-
Profit/(loss) before tax			3,429	(1,312)
Income tax expense (continuing and discontinued operations)			(5,336)	(1,146)
Consolidated segment revenue and profit for the period	513,824	352,601	27,301	9,436

* excluding toys

AASB134.16(g)(i), (ii)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

AASB134.16(g)(v), (vi)

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

AASB134.16(g)(ii)

Separate disclosure of intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker, is required, if material.

AASB134.16(g)(vi)

The interim financial report shall include a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.

Source reference

2. Segment information (cont'd)

AASB134.16 (g)(iv)

The following is an analysis of the Group's assets by reportable operating segment:

	31 Dec 2010 $'000	30 June 2010 $'000
Continuing operations		
Electronic equipment – direct sales	191,561	159,454
Electronic equipment – wholesalers and retail outlets	165,567	107,133
Electronic equipment – internet sales	160,571	102,150
Leisure goods – wholesalers*	189,828	293,787
Leisure goods – retail outlets*	158,635	176,664
Other	22,462	37,910
Total segment assets	888,624	877,098
Unallocated assets	311,518	187,707
Total assets	1,200,142	1,064,805

* At 30 June 2010, these operating segments included the assets of the toy operation sold on 31 October 2010.

Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

AASB 134.16(g)(iv) requires disclosure of segment assets for which there has been a material change from the amount disclosed in the last annual financial report. The above disclosure assumes that there is a material change in the total assets for each reportable segment. If there is material change in the total assets of one or some of the reportable segment(s), the disclosure can given in the form of simply explaining material changes. For example:

During the half-year reporting period, the company made investments of $[xx,xxx] to increase the existing operating capacity to manufacture the electronic equipments.

3. Results for the period

AASB134.16(b) The notes to the condensed consolidated financial statements shall include explanatory comments about the seasonality or cyclicality of the half-year operations, if material and if not disclosed elsewhere in the half-year financial report.

AASB134.16(c) The notes to the condensed consolidated financial statements shall disclose, if material and if not disclosed elsewhere in the half-year financial report, the nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence.

AASB134.17 Examples of the kinds of disclosures that may be required are set out below:

(a) the write-down of inventories to net realisable value and the reversal of such a write-down;
(b) recognition of a loss from the impairment of property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss;
(c) the reversal of any provisions for the costs of restructuring;
(d) acquisitions and disposals of items of property, plant and equipment;
(e) commitments for the purchase of property, plant and equipment;
(f) litigation settlements;
(g) corrections of prior period errors;
(h) any loan default or breach of a loan agreement that has not been remedied on or before the reporting date; and
(i) related party transactions.

Source reference

4. Change in accounting estimates

AASB134.16(d) During the half-year the directors reassessed the useful life of certain items of plant and equipment, as follows:

Plant and equipment class	Previous estimate of useful lives used in the calculation of depreciation	Revised estimate of useful lives used in the calculation of depreciation
Buildings	50 years	40 to 45 years
Equipment under lease	5 to 10 years	5 to 7 years

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase consolidated depreciation expense in the current half-year by $4 thousand, and for the next four financial years, by the following amounts:

Financial years	$'000
2010	9
2011	7
2012	4
2013	2

5. Dividends

AASB134.16(f) During the period, GAAP Holdings (Australia) Interim Limited made the following dividend payments:

	Half-year ended 31 December 2010		Half-year ended 31 December 2009	
	Cents per share	Total $'000	Cents per share	Total $'000
Fully paid ordinary shares				
Final dividend	4.80	5,765	12.05	14,472

AASB134.16(h) On 10 February 2011, the directors declared a fully franked interim dividend of 2.8 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2010, to be paid to shareholders on 1 March 2011. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $3,363 thousand.

6. Investments in associates

AASB134.16(i) On 25 November 2010, the Group acquired a 30% interest in A Plus Limited, a company incorporated in Australia and engaged in the manufacture of electronic goods. The consideration for the acquisition was $34,519 thousand.

At 30 June 2010, the Group held a 40% interest in K Plus Limited and accounted for the investment as an associate. In December 2010, the Group transferred a 30% interest to a third party for proceeds of $1,245 thousand. The Group has retained the remaining 10% interest, and from the date of selling the 30% interest, recognises the investment as an available-for-sale financial asset. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	$'000
Proceeds of disposal	1,245
Add: Fair value of investment retained	360
Less: Carrying amount of investment on the date of loss of significant influence	(1,023)
Gain recognised on disposal of associate interest	582

The Group recognised net income tax expense of $144 thousand on disposal of the associate interest, and additional deferred tax expense of $31 thousand relating to the fair value uplift of the remaining interest.

Source reference

7. Goodwill

AASB134.16(i), AASB3.61, B67(d)

Where there has been a business combination during the interim period, the entity is required to disclose the information required by AASB 3 *Business Combinations* (2008) in respect of goodwill.

Source reference		Half-year ended 31 Dec 2010 $'000	Half-year ended 31 Dec 2009 $'000
	Gross carrying amount		
AASB3.B67(d)(i)	Balance at beginning of the interim period	3,562	3,562
AASB3.B67(d)(ii)	Additional amounts recognised from business combinations occurring during the period (i) (note 12)	467	-
AASB3.B67(d)(iii)	Adjustments resulting from the subsequent recognition of deferred tax assets	-	-
AASB3.B67(d)(iv)	Derecognised on disposal of a subsidiary	(1,019)	-
AASB3.B67(d)(iv)	Reclassified as held for sale	-	-
AASB3.B67(d)(vi)	Effects of foreign currency exchange differences	-	-
AASB3 B67(d)(vii)	Other [describe]	-	-
AASB3.B67(d)(viii)	Balance at end of the interim period	3,010	3,562
	Accumulated impairment losses		
AASB3.B67(d)(i)	Balance at beginning of the interim period	-	-
AASB3.B67(d)(v)	Impairment losses for the period (i)	-	-
AASB3.B67(d)(iv)	Derecognised on disposal of a subsidiary	-	-
AASB3.B67(d)(iv)	Classified as held for sale	-	-
AASB3.B67(d)(vi)	Effect of foreign currency exchange differences	-	-
AASB3.B67(d)(viii)	Balance at end of the interim period	-	-
	Net book value		
	At the beginning of the interim period	3,562	3,562
	At the end of the interim period	3,010	3,562

AASB3.B67(d)(ii), (iv)

(i) Other than goodwill included in a disposal group that on acquisition met the criteria for classification as held for sale. No such acquisitions were made during the period (2009: nil).

8. Issuances, repurchases and repayments of equity securities

AASB134.16(e)

Issued capital as at 31 December 2010 amounted to $142,343 thousand (120,099,585 ordinary shares). There were no movements in the issued capital of the company in either the current or the prior interim reporting periods.

[Otherwise, describe, for example:]
During the half-year reporting period, the company issued [no.] ordinary shares for $[x,xxx] thousand on exercise of [no.] share options issued under its executive share option plan. As a result of this share issue, $[x,xxx] thousand was transferred from the equity-settled employee benefits reserve to issued capital. There were no other movements in the ordinary share capital or other issued share capital of the company in the current or prior half-year reporting period.
The company issued [no.] share options (2009: [no.]) over ordinary shares under its executive share option plan during the half-year reporting period. These share options had a fair value at grant date of $[x.xx] per share option (2009: $[x.xx]).

Source reference

9. Borrowings

AASB134.16(e)

During the period, the Group obtained a new short-term bank loan to the amount of $50,000 thousand (2009: $30,000 thousand). The loan bears interest at variable market rates and is repayable within one year. The proceeds from the loan have been used to meet short-term expenditure needs. Repayments of other bank loans amounting to $19,818 thousand (2009: $18,230 thousand) were made in line with previously disclosed repayment terms.

10. Contingencies and commitments

AASB134.16(j)

The notes to the condensed consolidated financial statements shall disclose changes in contingent liabilities or contingent assets since the end of the last annual reporting period, if material and if not disclosed elsewhere in the half-year financial report.

11. Disposal of subsidiaries

AASB134.16(i)

(i) Disposal of interest in Sub B Limited

On 31 July 2010, the Group disposed of 20% of its interest in Sub B Limited, reducing its continuing interest to 80%. The proceeds on disposal of $4,500 thousand were received in cash. The difference between the disposal proceeds and the amount transferred to non-controlling interests of $3,214 thousand has been recognised directly in equity.

AASB134.16(i)

(ii) Disposal of interest in Sub A Limited (discontinued operation)

On 31 October 2010, the Group disposed of Sub A Limited, which carried out all of its toy manufacturing operations. The proceeds on disposal of $30,900 thousand were received in cash. The profit/(loss) for the period from the discontinued operation is analysed as follows:

	4 months ended 31 Oct 2010 $'000	6 months ended 31 Dec 2009 $'000
Loss of toy manufacturing operations for the period	(1,192)	(1,168)
Gain on disposal of toy manufacturing operations	3,883	-
	2,691	(1,168)

The following were the results of the toy business for the period:

	4 months ended 31 Oct 2010 $'000	6 months ended 31 Dec 2009 $'000
Revenue	63,747	55,265
Operating expenses	(64,201)	(56,577)
Profit before income tax	(454)	(1,312)
Income tax expense/(credit)	(738)	144
Profit after income tax	(1,192)	(1,168)

Source reference

11. Disposal of subsidiaries (cont'd)

The net assets of Sub A Limited at the date of disposal were as follows:

	31 October 2010 $'000
Net assets disposed of (excluding goodwill)	25,998
Attributable goodwill	1,019
	27,017
Gain on disposal	3,883
Total consideration	30,900
Satisfied by cash, and net cash inflow arising on disposal	30,900

A gain of $3,883 thousand was recognised on the disposal of Sub A Limited. No tax charge or credit arose on the transaction.

AASB134.16(i), AASB3.59-63, B64-B67

12. Acquisition of subsidiary

About the illustrative disclosures

Where there has been a business combination during or since the end of the interim period, AASB 134.16(i) requires disclosure of the information required by AASB 3 *Business Combinations* (2008) in the interim financial report. The following disclosure illustrates the relevant disclosures specified by AASB 3(2008) in respect of the illustrated business combinations. Where the following items are relevant to a particular business combination extensive additional disclosures are required that are not illustrated below

- contingent liabilities;
- equity instruments issued by the acquirer as consideration for the business combination
- bargain purchase gains; and
- a business combination achieved in stages.

Refer to the presentation and disclosure checklist in Section D of this publication for a summary of all the disclosure requirements that apply in respect of business combinations.

AASB3.B64(a)-(d) On 15 November 2010, the Group acquired an 80% interest in Sub X Limited. Sub X Limited is engaged in distribution activities and was acquired with the objective of significantly improving the Group's distribution logistics.

AASB3.B64(f)

Consideration transferred

		$'000
	Cash	9,691
AASB3.B64(g)(i)	Contingent consideration arrangement (i)	75
		9,766
	Add: Settlement of legal claim against Sub X Limited (ii)	40
		9,806

Source reference

12. Acquisition of subsidiary (cont'd)

AASB3.B64(g)(ii), (iii)

(i) The contingent consideration requires the Group to pay the non-controlling interests an additional $100 thousand if Sub X Limited's profit before interest and tax (PBIT) in each of the years 2010 and 2011 exceeds $500 thousand. No amount is payable if the PBIT target is not met. Sub X Limited's PBIT for the past three years has been $470 thousand on average and the directors expect that the specified target will be met. $75 thousand represents the estimated fair value of this obligation.

AASB3.B64(l)

(ii) Prior to the acquisition of Sub X Limited, the Group was pursuing a legal claim against that company in respect of damage to goods in transit to a customer. Although the Group was confident of recovery, this amount has not previously been recognised as an asset. In line with the requirements of AASB 3(2008), the Group has recognised the effective settlement of this legal claim on the acquisition of Sub X Limited by recognising $40,000 (being the estimated fair value of the claim) as a gain in the [statement of comprehensive income/income statement] within the 'other income' line item. This has resulted in a corresponding increase in the consideration transferred.

AASB3.B64(m)

Acquisition-related costs amounting to $145 thousand have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'other expenses' line item in the [statement of comprehensive income/income statement].

AASB3.B64(i)

Assets acquired and liabilities assumed at the date of acquisition

	$'000
Current assets	
Cash & cash equivalents	200
Trade receivables (i)	2,043
Loans (ii)	900
Inventories	3,631
Non-current assets	
Plant & equipment	7,512
Current liabilities	
Trade & other payables	(2,358)
Non-current liabilities	
Deferred tax liabilities	(58)
	11,870

AASB3.B64(h)

(i) Trade receivables acquired with a fair value of $2,043 thousand had gross contractual amounts of $2,300 thousand. The best estimate at acquisition date of the contractual cash flows not expected to be collected is $257 thousand.

AASB3.B64(h)

(ii) Loans acquired had a fair value of $900 thousand and gross contractual amounts receivable of $950 thousand. The best estimate at acquisition date of the contractual cash flows not expected to be collected is $50 thousand.

AASB3.B64(h)

Disclosure must be made, by each major class of receivables (e.g. loans, direct finance leases), of the fair value of the receivables, the gross contractual amounts receivable, and the best estimate at the acquisition date of the contractual cash flows not expected to be collected.

AASB3.B67(a)

The initial accounting for the acquisition of Sub X Limited has only been provisionally determined at the end of the interim reporting period. At the end of the interim period, the final valuation report in respect of the plant and equipment acquired had not yet been received. At the date of finalisation of this interim financial report, the necessary market valuations and other calculations had not been finalised and the fair value of the plant and equipment, associated deferred tax liabilities and goodwill noted above have therefore only been provisionally determined based on the directors' best estimate of the likely fair value of the plant and equipment.

Source reference

12. Acquisition of subsidiary (cont'd)

Non-controlling interests

AASB3.B64(o) The non-controlling interest (20%) in Sub X Limited recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $2,531 thousand. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate range of 18% - 22%;
- assumed long-term sustainable growth rates of 3% - 5%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Sub X Limited.

Goodwill arising on acquisition

	$'000
Consideration transferred	9,806
Plus: non-controlling interests (at fair value)	2,531
Less: fair value of identifiable net assets acquired	(11,870)
Goodwill arising on acquisition	467

AASB3.B64(e) Goodwill arose in the acquisition of Sub X Limited because the acquisition included the customer lists and customer relationships of Sub X Limited as part of the acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

AASB3.B64(k) None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	$'000
Consideration paid in cash	9,691
Less: cash and cash equivalent balances acquired	(200)
	(9,491)

Impact of acquisition on the results of the Group

AASB3.B64(q) Included in the profit for the interim period is $35 thousand attributable to Sub X Limited. Revenue for the period includes $673 thousand in respect of Sub X Limited.

Had the acquisition of Sub X Limited been effected at 1 July 2010, the revenue of the Group from continuing operations for the six months ended 31 December 2010 would have been $454,890 thousand, and the profit for the year from continuing operations would have been $26,500 thousand. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on a half-yearly basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had Sub X Limited been acquired at the beginning of the current reporting period, the directors have:

- calculated depreciation and amortisation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements;
- based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and
- excluded takeover defense costs of Sub X Limited as a pre-acquisition transaction.

Source reference

13. Key management personnel

AASB134.16

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition, during the interim period, a cash bonus of $200,000 was paid to the CFO, Mr. P.H. Taylor, for successfully completing the acquisition of Sub X Limited.

14. Disclosure of additional information

AASB134.16

An entity shall disclose any events or transactions that are material to an understanding of the current half-year reporting period.
The IASB has amended IAS 34 *Interim Financial Reporting* as part of *Improvements to IFRSs 2010* project to emphasise the existing disclosure principles in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report. It also clarifies how to apply these principles in respect of financial instruments and their fair values. The IASB noted that in accordance with IAS 34, an interim financial report provides an update on the latest complete set of annual financial statements. When an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual financial period, in accordance with IAS 34 its interim financial report should provide an explanation of, and update to, the information included in the financial statements for the last annual financial period. The IASB concluded that IAS 34 provides sufficient guidance to enable entities to decide whether updates to fair value disclosures are required in interim financial reports but decided to amend IAS 34 to place greater emphasis on those principles and the inclusion of additional examples relating to more recent disclosure requirements, i.e., fair value measurements, to improve interim financial reporting. The following additional examples of disclosures are provided in the amended IAS 34:

- changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost
- transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments
- changes in the classification of financial assets as a result of a change in the purpose or use of those assets

The amended standard is effective from annual periods beginning on or after January 1, 2011. Earlier application is permitted.

Whilst every entity will face different facts and circumstances, some of the major areas where the need for updates to annual disclosure may arise as a result of the current economic climate include:

- judgements made in applying accounting policies and key sources of estimation uncertainty (AASB 101);
- financial instrument disclosure – liquidity and market risk, fair values of financial instruments, defaults and breaches (AASB 7);
- information about impairments, reversals of impairments, assumptions and sensitivity analyses (AASB 136);
- uncertainties around provisions and contingent liabilities (AASB 137);
- events after the end of the reporting period (AASB 110); and
- information about significant changes to the compensation of key management personnel (AASB 124).

15. Subsequent events

AASB134.16(h)

The notes to the condensed consolidated financial statements shall disclose information about material events subsequent to the end of the half-year reporting period that have not been reflected in the half-year financial statements, if material and if not disclosed elsewhere in the half-year financial report. Further guidance concerning the disclosure of subsequent events is contained in Accounting Standard AASB 110 *Events after the Reporting Period*.

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