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Section B – Annual financial report

# Consolidated Model Financial Reports

## Financial years ending on or after 31 December 2005.

First-time adoption of Australian equivalents to International Financial Reporting Standards.

# Consolidated model annual financial report

## Illustrative example of a general purpose financial report prepared in accordance with the Corporations Act 2001, AASB Accounting Standards and Urgent Issues Group Interpretations

# About the model financial report

## Purpose

This model financial report has been designed by Deloitte Touche Tohmatsu to assist clients, partners and staff with the preparation of **annual financial reports** by a **consolidated entity** on first-time adoption of Australian equivalents to International Financial Reporting Standards ('A-IFRS').

This model financial report is an illustrative example of a general purpose financial report prepared in accordance with:

- Provisions of the Corporations Act 2001;
- Accounting Standards issued by the Australian Accounting Standards Board (except as noted below) up to 15 April 2005;
- Interpretations issued by the Urgent Issues Group up to 15 April 2005; and
- 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, Practice Notes, Policy Statements and Media Releases.

This model is not designed to meet specific needs of specialised industries. Rather, it is intended to meet the needs of the vast majority of entities in complying with the annual reporting requirements of the Corporations Act 2001, Accounting Standards and UIG Interpretations. Enquiries regarding specialised industries (e.g. life insurance companies, credit unions, etc.) should be directed to an industry specialist in your nearest Deloitte Touche Tohmatsu office.

## Exclusions

This model does not, and cannot be expected to cover all situations that may be encountered in practice. Therefore, knowledge of the disclosure provisions of the Corporations Act 2001, Accounting Standards and UIG Interpretations are pre-requisites for the preparation of financial reports.

Specifically, this model does not provide guidance on the 'not-for-profit' disclosure requirements of Accounting Standards and the disclosure requirements of the following Accounting Standards and UIG Interpretations:

- AASB 4 'Insurance Contracts'
- AASB 6 'Exploration for and Evaluation of Mineral Resources'
- AASB 129 'Financial Reporting in Hyperinflationary Economies'
- AASB 130 'Disclosure in the Financial Statements of Bank and Similar Financial Institutions'
- AASB 134 'Interim Financial Reporting'
- AASB 141 'Agriculture'
- AASB 1004 'Contributions'
- AASB 1023 'General Insurance Contracts'
- AASB 1038 'Life Insurance Contracts'
- AAS 22 'Related Party Disclosures'
- AAS 25 'Financial Reporting by Superannuation Plans'
- AAS 27 'Financial Reporting by Local Governments'
- AAS 29 'Financial Reporting by Government Departments'
- AAS 31 'Financial Reporting by Governments'
- UIG 2 'Members' Shares In Co-Operative Entities And Similar Instruments'
- UIG 3 'Emission Rights'
- UIG 127 'Evaluating the Substance of Agreements Involving the Legal Form of a Lease'
- UIG 129 'Disclosure – Service Concession Arrangements'
- UIG 1017 'Developer and Customer Contributions for Connection to a Price-Regulated Network'
- UIG 1019 'The Superannuation Contributions Surcharge'
- UIG 1047 'Professional Indemnity Claims Liabilities in Medical Defence Organisations'

# Source references

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

Abbreviations used in this model are as follows:

| | |
|---|---|
| s. | Section of the Corporations Act 2001. |
| Reg | Regulation of the Corporations Regulations 2001. |
| AASB | Accounting Standards issued by the Australian Accounting Standards Board. |
| UIG | Interpretations issued by the Urgent Issues Group. |
| AUS | Australian Auditing Standards issued by the Auditing and Assurance Standards Board. |
| AGS | Auditing Guidance Statements issued by the Auditing and Assurance Standards Board. |
| ASIC-CO | Australian Securities and Investments Commission Class Order issued pursuant to s.341(1) of the Corporations Act 2001. |
| ASIC-PN | Australian Securities and Investments Commission Practice Note. |
| ASX | Australian Stock Exchange Limited Listing Rules. |

# DTT Consolidated Limited

ACN 123 456 789

Financial report for the financial year ended 31 December 2005

# Annual financial report for the financial year ended 31 December 2005

**Source reference**

# Corporate governance statement

## (listed companies only)

ASX4.10.3

The Australian Stock Exchange Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the best practice recommendations of the ASX Corporate Governance Council, as summarised in ASX Guidance Note 9A 'Corporate Governance – ASX Corporate Governance Council – Principles of good corporate governance and best practice recommendations'. Where a best practice recommendation has not been followed the entity must justify the reason for the non-compliance.

### Best practice recommendations

ASX Guidance Note 9A

The best practice recommendations of the ASX Corporate Governance Council, including corporate governance practices and suggested disclosures, are set out below. The recommendations are differentiated between the ten core principles that the ASX Corporate Governance Council believes underlie good corporate governance. Entities must disclose any instances of non-compliance with these recommendations.

Lay solid foundation for management and oversight

Formalise and disclose the functions reserved to the board and those delegated to management.

Structure the board to add value

1. A majority of the board should be independent directors.
2. The chairperson should be an independent director.
3. The roles of chairperson and chief executive officer should not be exercised by the same individual.
4. The board should establish a nomination committee.
5. Disclose the following information in the annual report:
   - the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;
   - the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds used in determining a directors independence;
   - a statement as to whether there is a procedure agreed by the board of directors to take independent professional advice at the expense of the company;
   - the term of office held by each director as at the date of the annual report; and
   - the names of members of the nomination committee and their attendance at meetings of the committee.

Promote ethical and responsible decision making

1. Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:
   - the practices necessary to maintain confidence in the company's integrity; and
   - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
2. Disclose the policy concerning trading in company securities by directors, officers and employees.

Safeguard integrity in financial reporting

1. Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

**Source reference**

2. The board should establish an audit committee.
3. Structure the audit committee so that it consists of:
   - only non-executive directors;
   - a majority of independent directors;
   - an independent chairperson, who is not chairperson of the board; and
   - at least three members.
4. The audit committee should have a formal charter.
5. Disclose the following information in the annual report:
   - details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfil the functions of an audit committee; and
   - the number of meetings of the audit committee and the names of the attendees.

Make timely and balanced disclosures

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

Respect the rights of shareholders

1. Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.
2. Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Recognise and manage risk

1. The board, or appropriate board committee, should establish policies on risk oversight and management.
2. The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:
   - the statement given regarding the integrity of financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
   - the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Encourage enhanced performance

1. Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.
2. Disclose whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted, in the corporate governance section of the company's annual report.

Remunerate fairly and responsibly

1. Provide disclosure in relation to the company's remuneration policies to enable investors to understand:
   - the costs and benefits of those policies; and
   - the link between remuneration paid to directors and key executives and corporate performance.
2. The board should establish a remuneration committee.
3. Clearly distinguish the structure of non-executive directors' remuneration from that of executives.
4. Ensure that payment of equity-based remuneration is made in accordance with thresholds set in plans approved by shareholders.

**Source reference**

5. Disclose the following information in the annual report:
   - the company's remuneration policies including:
     - the broad structure and objectives of the remuneration policy and its relationship to company performance;
     - the amount of remuneration, and all monetary and non-monetary components, for each of the five highest paid (non-director) executives during the year (discounting accumulated entitlements) and for all directors;
     - statements on the expected outcomes of remuneration structures; and
     - where discretion is exercised by the board in relation to payment of bonuses, stock options and other incentive payments, a statement about this and explanation of the basis for the exercise of that discretion;
   - the names of the members of the remuneration committee and their attendance at meetings of the committee; and
   - the existence of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors.

Recognise the legitimate interests of stakeholders

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

**Information to be made publicly available**

ASX Guidance Note 9A

The ASX Corporate Governance Council has also determined that the following information should be made publicly available, ideally on the company's website in a clearly marked corporate governance section:

- The statement of matters reserved for the board, or a summary of the board charter, or the statement of delegated authority to management.
- A description of the procedure for the selection and appointment of new directors to the board.
- The charter of the nomination committee, or a summary of the role, rights and responsibilities and membership requirements for that committee.
- The nomination committee's policy for the appointment of directors.
- Any applicable code of conduct, or a summary of its main provisions.
- The trading policy, or a summary of its main provisions.
- The audit committee charter.
- Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.
- A summary of the policies and procedures designed to guide compliance with ASX Listing Rule disclosure requirements.
- A description of the arrangements the company has to promote communication with shareholders.
- A description of the company's risk management policy and internal compliance and control system.
- A description of the process for performance evaluation of the board, its committees and individual directors, and key executives.
- The charter of the remuneration committee of a summary of the role, rights, responsibilities and membership requirements for that committee.

Where the company does not have a website it must make relevant information available to shareholders by other means, for example, a company may provide the information on request by e-mail, facsimile, or post.

**Source reference**

# Directors' report

s.300(2) Information required by s.300 need not be included in the directors' report where such information is disclosed in the financial report.

s.300(2A) Where s.300(2) is relied on to not include:

- details of the amounts paid or payable to the auditor for non-audit services provided, during the year, by the auditor (or by another person or firm on the auditor's behalf); and
- the dollar amount that the listed company, or if consolidated financial statements are required, any entity that is part of the consolidated entity paid or is liable to pay, for each of those non-audit services,

in the directors' report for a financial year, the report must specify, in the section headed 'Non-audit services', where those details may be found in the company's financial report for that financial year.

ASIC-CO 98/2395 Information required by s.299, 300 and 300A may be transferred to a document attached to the directors' report and financial report where a clear cross reference to the pages containing the excluded information exists and certain conditions are satisfied. Where the information is transferred to the financial report it will be subject to audit and cannot include information required by s.299.

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 DTT Consolidated Limited submit herewith the annual financial report of the company for the financial year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

s.300(1)(c), s.300(10)(a) The names and particulars of the directors of the company during or since the end of the financial year are:

## Directors

| **Name** *(all entities)* | **Particulars** *(public companies only)* |
|---|---|
| Mr C.J. Chambers | Chairman, Chartered Accountant, aged 56 joined the Board in 1994 in a non-executive capacity and is a non-executive director of the ultimate Australian holding company, DTT Ultimate Limited. Mr C.J. Chambers is a member of the audit committee. |
| Mr P.H. Taylor | Chemist, aged 50, joined the Board in 1991. |
| Ms F.R. Ridley | Chartered Accountant, aged 41, joined the Board in 2000 in a non-executive capacity. Ms F.R. Ridley is a member of the nomination and remuneration committee, and of the audit committee. |
| Mr A.K. Black | Industrial Engineer, aged 42, joined the Board in 2001 and held various senior management positions in manufacturing and wholesale companies. |
| Mr B.M. Stavrinidis | Director of Merchant Bank Limited, aged 48, joined the Board in 1999 in a non-executive capacity. Mr B.M. Stavrinidis is a member of the nomination and remuneration committee, and of the audit committee. |
| Mr W.K. Flinders | Practicing Solicitor, aged 58, joined the Board in 1996 in a non-executive capacity and resigned during the year. Mr W.K. Flinders was a member of the nomination and remuneration committee until his resignation. |
| Ms L.A. Lochert | Practicing Solicitor, aged 47, joined the Board in 2005 in a non-executive capacity and resigned during the year. |
| Ms S.M. Saunders | Practicing Solicitor, aged 37, joined the Board in 2005 in a non-executive capacity and resigned after year end. Ms S.M. Saunders was a member of the nomination and remuneration committee until her resignation. |

**Source reference**

s.300(1)(c) The above named directors held office during and since the end of the financial year except for:

- Mr W.K. Flinders – resigned 20 January 2005
- Ms S.M Saunders – appointed 1 February 2005 and resigned 30 January 2006
- Ms L.A. Lochert – appointed 30 January 2005 and resigned 1 July 2005

s.300(10)(a) Particulars include each director's qualifications, experience and special responsibilities.

s.300(10) Disclosure of particulars is not required for a public company which is a wholly-owned controlled entity of another company.

## Directorships of other listed companies *(listed companies only)*

s.300(11)(e) Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

| Name | Company | Period of directorship |
|---|---|---|
| Mr P.H. Taylor | Eastwood Limited | Since 2004 |
| | Yarwood Limited | 2002 – 2004 |

Listed companies are required to report all directorships of other listed companies held by a director at any time in the 3 years immediately before the end of the financial year, and the period for which each directorship has been held.

s.300(10)(d)

## Company Secretary *(public companies only)*

Mr A.B. Group Chartered Accountant, aged 45, joined DTT Consolidated Limited in 2000 and previously held the company secretary position at a large manufacturing company. Member of the Chartered Institute of Company Secretaries in Australia.

## Former partners of the audit firm

s.300(1)(ca) The directors' report must disclose the name of each person who:

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

## Principal activities

s.299(1)(c) The consolidated entity's principal activities in the course of the financial year were the manufacture of widgets, toys and bicycles, and the construction and renovation of residential properties.

During the financial year the consolidated entity sold its bicycle business. Details of the sale are contained in note 55 and note 58(c) to the financial statements. During the year the board of directors decided to dispose of the construction business. Details of the planned disposal are contained in note 55 to the financial statements.

## Review of operations

s.299(1)(a), ASX4.10.17 The directors' report must contain a review of the consolidated entity's operations during the financial year and the results of those operations. The Corporations Act 2001 contains additional general requirements for listed public companies.

### Additional requirements for listed public companies

s.299A(1), (2) The directors' report for a company or disclosing entity that is a listed public company must also contain information that members of the company would reasonably require to make an informed assessment of:

(a) the operations of the consolidated entity; and
(b) the financial position of the consolidated entity; and
(c) the consolidated entity's business strategies and its prospects for future financial years.

**Source reference**

s.299A(3)

The directors' report may omit material that would otherwise be included under s.299A(1)(c) concerning the consolidated entity's business strategies and prospects for future financial years, if it is likely to result in unreasonable prejudice to the consolidated entity or any entity (including the company or disclosing entity) that is part of the consolidated entity. If material is omitted, the report must say so.

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' 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;

(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 statement of financial position;
  - iv. cash generated from operations and other sources of cash flows during the period; and
  - v. impact of legislation and other external requirements having a material effect on the financial condition in the reporting period or expected to have a material effect on the financial condition in future periods; and

(e) risk management and corporate governance practices.

## Changes in state of affairs

s.299(1)(b)

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

If changes are material, describe and cross reference to the relevant notes to the financial statements.

Source reference

## Subsequent events

s.299(1)(d) There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Otherwise describe the matter(s) or circumstance(s), if material, and cross reference to the relevant note(s) to the financial statements.

## Future developments

s.299(3) Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

s.299(1)(e) Directors must bring likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations to the attention of the users of the financial report. These disclosures are not required where they would result in unreasonable prejudice to the entity.

s.299A(1)(c), (2) The directors' report for a company or disclosing entity that is a listed public company must also contain information that members of the company would reasonably require to make an informed assessment of the consolidated entity's prospects for future financial years.

## Environmental regulations

s.299(1)(f) If the consolidated entity's operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, the directors' report should disclose details of the consolidated entity's performance in relation to the environmental regulation.

ASIC-PN 68 The ASIC has provided the following guidance on completing environmental regulations disclosures:

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

## Dividends

s.300(1)(a) In respect of the financial year ended 31 December 2004, as detailed in the directors' report for that financial year, a final dividend of 19.36 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 12 April 2005.

In respect of the financial year ended 31 December 2005, an interim dividend of 17.85 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 5 September 2005.

In respect of the financial year ended 31 December 2005, a dividend of 10.00 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of converting cumulative non-participating preference shares and converting non-participating preference shares on 20 December 2005.

In respect of the financial year ended 31 December 2005, a dividend of 7.00 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of redeemable cumulative preference shares on 20 December 2005.

s.300(1)(b) In respect of the financial year ended 31 December 2005, the directors recommend the payment of a final dividend of 26.31 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 4 April 2006.

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

AASB110.13 If dividends are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity) after the reporting date but before the financial report is authorised for issue, the dividends are not recognised as a liability at the reporting date because they do not meet the criteria of a present obligation in AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. Such dividends are disclosed in the notes in the financial report in accordance with AASB 101 'Presentation of Financial Statements'.

## Share options

### Share options granted to directors and executives

s.300(1)(d), s.300(3) The directors' report should include details of options granted over unissued shares or interests by any company, registered scheme or disclosing entity within the consolidated entity during or since the end of the financial year to any directors or any of the 5 most highly remunerated officers of the company (other than the directors) as part of their remuneration.

s.300(5) The details of an option granted during or since the end of the financial year should include:

(a) the identity of the company, registered scheme or disclosing entity granting the option;
(b) the name of the director or executive to whom the option is granted; and
(c) the number and class of shares or interests over which the option is granted.

s.300(1)(d), s.300(5) During and since the end of the financial year an aggregate of 141,834 share options were granted to the following directors and executives of the company:

| Directors and executives | Number of options granted | Issuing entity | Number of ordinary shares under option |
|---|---|---|---|
| P.H. Taylor | 88,000 | DTT Consolidated Limited | 88,000 |
| T.L. Smith | 33,000 | DTT Consolidated Limited | 33,000 |
| W.L. Lee | 6,250 | DTT Consolidated Limited | 6,250 |
| L.J. Jackson | 6,250 | DTT Consolidated Limited | 6,250 |
| C.P. Daniels | 4,167 | DTT Consolidated Limited | 4,167 |
| N.W. Wright | 4,167 | DTT Consolidated Limited | 4,167 |

### Share options on issue at year end or exercised during the year

s.300(3) The directors' report should include details of:

s.300(1)(f) (a) shares or interests issued during or since the end of the financial year as a result of the exercise of any option; and

s.300(1)(e) (b) unissued shares or interests under option as at the date of the directors' report.

s.300(6) The details of unissued shares or interests under option should include:

(a) the company, registered scheme or disclosing entity that will issue shares or interests when the options are exercised;
(b) the number and classes of those shares or interests;
(c) the issue price, or the method of determining the issue price, of those shares or interests;
(d) the expiry date of the options; and
(e) any rights that option holders have under the options to participate in any share issue or interest issue of the company, registered scheme or disclosing entity or of any other body corporate or registered scheme.

s.300(7) The details of shares and interests issued as a result of the exercise of any option should include:

(a) the company, registered scheme or disclosing entity issuing the shares or interests;
(b) the number of shares or interests issued;
(c) if the company, registered scheme or disclosing entity has different classes of shares or interests, the class to which each of those shares or interests belongs;
(d) the amount unpaid on each of those shares or interests; and
(e) the amount paid, or agreed to be considered as paid, on each of those shares or interests.

**Source reference**

ASIC-CO 98/2395

The above disclosure requirements are illustrated in the following example with reference to the executive share option plan. It is common for information concerning options on issue at reporting date and/or options exercised during the financial year to be presented elsewhere in the financial report, such as in the notes to the financial statements. Where information required to be disclosed in the directors' report is presented elsewhere in the financial report, the directors' report should clearly cross-reference to the pages containing such information.

Details of unissued shares or interests under option are:

s.300(1)(e), s.300(6)

| Issuing entity | Number of shares under option | Class of shares | Exercise price of option | Expiry date of options |
|---|---|---|---|---|
| DTT Consolidated Limited | 136,000 | Ordinary | $1.00 | 31 March 2006 |
| DTT Consolidated Limited | 60,000 | Ordinary | $1.00[a] | 30 September 2006 |

[a] These share options can only be exercised once the share price of DTT Consolidated Limited exceeds $4.00.

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Details of shares or interests issued during the financial year as a result of exercise of an option are:

s.300(1)(f), s.300(7)

| Issuing entity | Number of shares issued | Class of shares | Amount paid for shares | Amount unpaid on shares |
|---|---|---|---|---|
| DTT Consolidated Limited | 120,000 | Ordinary | $1.00 | $nil |
| DTT Consolidated Limited | 120,000 | Ordinary | $1.00 | $nil |
| DTT Consolidated Limited | 24,000 | Ordinary | $1.00 | $nil |

## Indemnification of officers and auditors

s.300(1)(g), s.300(8), s.300(9)

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr A.B. Group, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

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

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

## Directors' meetings *(public companies only)*

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

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 12 board meetings, 2 nomination and remuneration committee meetings and 4 audit committee meetings were held.

**Source reference**

| Directors | Board of directors Held | Board of directors Attended | Nomination & remuneration committee Held | Nomination & remuneration committee Attended | Audit committee Held | Audit committee Attended |
|---|---|---|---|---|---|---|
| C.J. Chambers | 12 | 12 | - | - | 4 | 4 |
| P.H. Taylor | 12 | 10 | - | - | - | - |
| F.R. Ridley | 12 | 11 | 2 | 2 | 4 | 4 |
| A.K. Black | 12 | 12 | - | - | - | - |
| B.M. Stavrinidis | 12 | 12 | 2 | 2 | 4 | 4 |
| W.K. Flinders | 2 | 2 | 1 | 1 | - | - |
| L.A. Lochert | 3 | 2 | - | - | - | - |
| S.M. Saunders | 10 | 9 | 1 | 1 | - | - |

The number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director must be disclosed.

s.300(10) Disclosure of directors' meeting is not required for a public company which is a wholly-owned controlled entity of another company.

## Directors' shareholdings *(listed companies only)*

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

s.300(11)(a), (b), (c)

| Directors | Fully paid ordinary shares | Partly paid ordinary shares | Fully paid converting cumulative non-participating preference shares | Executive share options | Convertible notes |
|---|---|---|---|---|---|
| C.J. Chambers | 5,000 | 833 | 25,000 | - | 3,000 |
| P.H. Taylor | 50,000 | 8,167 | - | 88,000 | 15,000 |
| A.K. Black | 1,000 | 167 | - | - | 2,000 |

ASX3.19A.2 Shares held by a director in the company or a related body corporate, as at the date of the report, must be disclosed where s.205G required the director to notify the ASX of that shareholding. The ASX Listing Rules require directors to, within five business days of becoming a director or the listing of the company after becoming a director, to notify the ASX of relevant interests in:

- shares or debentures of, or prescribed interests made available by, the company or a related body corporate; and
- rights or options over shares in, debentures of, or prescribed interests made available by, the company or a related body corporate.

s.608, s.609 Directors are considered to have a relevant interest where the director:

(a) is the holder of the securities;

(b) has power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) has power to dispose of, or control the exercise of a power to dispose of, the securities.

Although s.300 only requires relevant interests in shares, debentures, and rights or options in shares or debentures to be disclosed, where considered necessary (i.e., to satisfy the information needs of the likely users of the financial report), directors may consider disclosing interests in other equity instruments.

s.300(11)(d) For each director who is entitled to a benefit under a contract that confers a right to call for or deliver shares in, or debentures of or interests in a registered scheme made available by the company or a related body corporate, disclosure should be made of such contracts.

Source reference

s.300A(1A), s.300A(2)

## Remuneration report *(listed companies only)*

### Basic requirements

The directors' report for a financial year for a company that is a listed company must include (in a separate and clearly identified section of the report):

s.300A(1)(a) (a) discussion of:
   i. board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of directors, secretaries and senior managers of the company; and
   ii. if consolidated financial statements are required – board policy in relation to the nature and amount (or value, as appropriate) of remuneration of other group executives for the consolidated entity; and

s.300A(1)(b) (b) discussion of the relationship between such policy and the company's performance; and

s.300A(1)(c) (c) the **prescribed** details in relation to the remuneration of:
   i. each director of the company; and
   ii. each of the 5 named **company executives** who receive the highest remuneration for that year; and
   iii. if consolidated financial statements are required – each of the 5 named relevant **group executives** who receive the highest remuneration for that year; and

s.300A(1)(e) (d) for each person referred to in paragraph (c) (above):
   i. an explanation of the relative proportions of those elements of the person's remuneration that are related to performance and those elements of the person's remuneration that are not; and
   ii. the value (worked out as at the time they are granted and in accordance with any applicable accounting standards) of options that are granted to the person during the year as part of their remuneration; and
   iii. the value (worked out as at the time they are exercised) of options that were granted to the person as part of their remuneration and that are exercised by the person during the year; and
   iv. the value (worked out as at the time they lapse) of options that were granted to the person as part of their remuneration and that lapse during the year; and
   v. the aggregate of the values referred to in subparagraphs (ii), (iii) and (iv); and
   vi. the percentage of the value of the person's remuneration for the financial year that consists of options; and
   vii. if the person is employed by the company under a contract – the duration of the contract, the periods of notice required to terminate the contract and the termination payments provided for under the contract; and

s.300A(1)(f) e) such other matters related to the policy or policies referred to in paragraph (a) as are prescribed by the regulations.

### Discussion of company performance

s.300A(1AA) Without limiting the requirements of s.300A(1)(b), the discussion under that subsection of the company's performance must specifically deal with:

(a) the company's earnings; and
(b) the consequences of the company's performance on shareholder wealth;

in the financial year to which the report relates and in the previous 4 financial years.

s.300A(1AB) In determining, for the purposes of s.300A(1AA), the consequences of the company's performance on shareholder wealth in a financial year, have regard to:

(a) dividends paid by the company to its shareholders during that year; and
(b) changes in the price at which shares in the company are traded between the beginning and the end of that year; and
(c) any return of capital by the company to its shareholders during that year that involves:
   i. the cancellation of shares in the company; and
   ii. a payment to the holders of those shares that exceeds the price at which shares in that class are being traded at the time when the shares are cancelled; and
(d) any other relevant matter.

**Source reference**

### Prescribed details for remuneration

Reg2M.3.03(1) For the purpose of s.300A(1)(c) (outlined above), the following details about a person's remuneration are prescribed:

(a) the person's name;

(b) each position held by the person in the financial year;

(c) if the person has held a position mentioned in paragraph (b) for less than the whole financial year, the date when the person began holding the position and the date (if any) when the person ceased to hold the position;

(d) the details mentioned in paragraph 7.1 of Accounting Standard AASB 1046 'Director and Executive Disclosures by Disclosing Entities' (in force at 1 July 2004) for the financial year.

Reg2M.3.03(2) For the purpose of s.300A(1)(c) of the Act (outlined above), the following details relevant to a person's remuneration are prescribed:

(a) the person's name;

(b) the details mentioned in the following paragraphs of AASB 1046 (in force at 1 July 2004) for the financial year:
   i. paragraph 7.5(d)(iv);
   ii. if there has been an alteration mentioned in paragraph 7.6 — paragraph 7.6;

(c) for each bonus or grant mentioned in paragraph 7.5 of AASB 1046 (in force at 1 July 2004):
   i. the percentage of the bonus or grant for the financial year that was paid to the person, or that vested in the person, in the financial year; and
   ii. the percentage of the bonus or grant for the financial year that was forfeited by the person (because the person did not meet the service and performance criteria for the bonus or grant) in the financial year; and
   iii. the financial years, after the financial year to which the report relates, for which the bonus or grant will be payable if the person meets the service and performance criteria for the bonus or grant; and
   iv. estimates of the maximum and minimum possible total value of the bonus or grant for financial years after the financial year to which the report relates, measured in accordance with section 6 of AASB 1046 (in force at 1 July 2004);

(d) details of payments made to the person (if any) before the person took office as part of the consideration for the person agreeing to hold office, including the monetary value of the payment and the date of the payment.

Reg2M.3.03(3),(4) The information mentioned in Reg 2M.3.03(1), and the information mentioned in Reg 2M.3.03(2), must be included in separate, clearly identified, sections of the remuneration report.

### Other regulations

s.300A(1C) Without limiting s.300A(1)(c), the regulations may:

(a) provide that the value of an element of remuneration is to be determined, for the purposes of this section, in a particular way or by reference to a particular standard; and

(b) provide that details to be given of an element of remuneration must relate to the remuneration provided in:
   i. the financial year to which the directors' report relates; and
   ii. the earlier financial years specified in the regulations.

### The meaning of company executive

s.300A(1B)(a) **Company executive** is a secretary or **senior manager** of the company.

Source reference

### The meaning of group executive

s.9 **Group executives** for a consolidated entity means:

- the directors of the companies or bodies within the consolidated entity; and
- the secretaries of the companies or bodies within the consolidated entity; and
- the senior managers of any corporation within the consolidated entity; and
- the partners, and senior managers, of any partnership within the consolidated entity; and
- the trustees, and senior managers, of any trusts within the consolidated entity; and
- the senior managers of any joint venture within the consolidated entity.

s.300A(1B)(b) A group executive of a company is a group executive of the consolidated entity who is not a director of the company.

### The meaning of senior manager

s.9 **Senior manager**

(a) in relation to a corporation – means a person (other than a director or secretary of the corporation) who:
   i. makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the corporation; or
   ii. has the capacity to affect significantly the corporation's financial standing; and

(b) in relation to a partnership – means a person (other than a partner) who:
   i. makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the partnership; or
   ii. has the capacity to affect significantly the partnership's financial standing; and

(c) in relation to a trust – means a person (other than a trustee) who:
   i. makes, or participates in making, decisions that affect the whole, or a substantial part, of the business or affairs of the trust; or
   ii. has the capacity to affect significantly the financial standing of the trust; and

(d) in relation to a joint venture – means a person (other than a director or secretary of a corporation participating in the joint venture) who:
   i. makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the joint venture; or
   ii. has the capacity to affect significantly the financial standing of the joint venture.

### The meaning of person's remuneration

s.300A(4) **Person's remuneration:** If consolidated financial statements are required; and a person is a group executive who is a group executive of 2 or more entities within the consolidated entity, the person's remuneration is taken to include all of the person's remuneration from those entities (regardless of the capacity in which the person received the remuneration).

### Disclosure of performance conditions

s.300A(1)(ba) If an element of the remuneration of a director, secretary or senior manager is dependent on the satisfaction of a performance condition, the following information must be disclosed:

(a) a detailed summary of the performance condition; and

(b) an explanation of why the performance condition was chosen; and

(c) a summary of the methods used in assessing whether the performance condition is satisfied and an explanation of why those methods were chosen; and

(d) if the performance condition involves a comparison with factors external to the company:
   i. a summary of the factors to be used in making the comparison; and
   ii. if any of the factors relates to the performance of another company, of 2 or more other companies or of an index in which the securities of a company or companies are included – the identity of that company, of each of those companies or of the index.

**Source reference**

s.300A(1)(d) If an element of the remuneration of a person referred to in s.300A(1)(c) consists of securities of a body and that element is not dependent on the satisfaction of a performance condition – an explanation of why that element of the remuneration is not dependent on the satisfaction of a performance condition must be disclosed.

**Persons who are both company executives and group executives**

s.300A(1) If a person is both a company executive and group executive, and details of the person's remuneration are included in the directors' report as one of the 5 named company executives who receive the highest remuneration for the year, details of the person's remuneration do not need to be included in the report as one of the 5 named relevant group executives who receive the highest remuneration for the year.

### Remuneration policy for directors and executives

s.300A(1) The directors' report must include:

(a) discussion of board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of directors, secretaries and senior managers of the company, and group executives of the consolidated entity.

(b) discussion of the relationship between such policy and the company's performance. S.300(a)(1AA) and s.300A(1AB) contain specific requirements for the discussion of company performance. These sections are outlined on page B11.

### Director and executive details

Reg.2M.3.03(3) The directors of DTT Consolidated Limited during the year were:

- C.J. Chambers (Chairman, Non-executive)
- P.H. Taylor (Chief Executive Officer)
- A.K. Black (Chief Operations Officer)
- F.R. Ridley (Non-executive)
- B.M. Stavrinidis (Non-executive)
- W.K. Flinders (Non-executive), resigned 20 January 2005
- S.M. Saunders (Non-executive), appointed 1 February 2005 and resigned 30 January 2006
- L.A. Lochert (Non-executive), appointed 30 January 2005 and resigned 1 July 2005

The group executives of DTT Consolidated Limited during the year were:

- W.L. Lee (Chief Financial Officer)
- L.J. Jackson (Chief Marketing Officer)
- C.P. Daniels (General Manager – Widgets division), resigned 3 January 2006
- N.W. Wright (General Manager – Construction division), resigned 30 December 2005
- T.L. Smith (General Manager – Bicycles and Toys divisions), appointed 1 January 2005

Reg.2M.3.03(3)

### Elements of director and executive remuneration

s.300A(1)(c) Remuneration packages contain the following key elements:

(a) Primary benefits – salary/fees, bonuses and non monetary benefits including the provision of motor vehicles and health benefits;

(b) Post-employment benefits – including superannuation and prescribed retirement benefits;

(c) Equity – share options granted under the executive share option plan as disclosed in note 5 to the financial statements; and

(d) Other benefits.

**Source reference**

s.300A(1)(c)

The following table discloses the remuneration of the directors of the company:

| 2005 | Primary: Salary & fees $ | Primary: Bonus $ | Primary: Non-monetary $ | Post-employment: Super-annuation $ | Post-employment: Prescribed benefits $ | Post-employment: Other $ | Equity: Options $ | Other benefits $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| C.J. Chambers | 66,000 | - | 28,050 | - | - | - | - | 1,250 | 95,300 |
| P.H. Taylor | 267,000 | - | 66,280 | 24,030 | - | - | 105,600 | 1,240 | 464,150 |
| A.K. Black | 201,835 | - | 43,930 | 18,165 | - | - | - | 820 | 264,750 |
| F.R. Ridley | 65,000 | - | 25,091 | - | - | - | - | 854 | 90,945 |
| B.M. Stavrinidis | 65,000 | - | 26,800 | - | - | - | - | 685 | 92,485 |
| W.K. Flinders | 4,000 | - | 800 | - | - | - | - | 200 | 5,000 |
| S.M. Saunders | 75,000 | - | 15,159 | - | - | - | - | 689 | 90,848 |
| L.A. Lochert | 35,000 | - | 4,494 | - | - | - | - | 256 | 39,750 |

s.300A(1)(c)

The following table discloses the remuneration of the 5 highest remunerated executives of the company and group executives of the consolidated entity:

| 2005 | Primary: Salary & fees $ | Primary: Bonus $ | Primary: Non-monetary $ | Post-employment: Super-annuation $ | Post-employment: Prescribed benefits $ | Post-employment: Other $ | Equity: Options $ | Other benefits $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| W.L. Lee | 92,500 | 10,000 | 6,796 | 8,325 | - | - | 7,500 | - | 125,121 |
| L.J. Jackson | 92,500 | - | 16,481 | 8,325 | - | - | 7,500 | - | 124,806 |
| C.P. Daniels | 85,500 | - | 14,805 | 7,695 | - | - | 5,000 | - | 113,000 |
| N.W. Wright | 84,000 | - | 12,761 | 7,560 | - | - | 5,000 | - | 109,321 |
| T.L. Smith | 81,000 | - | 4,734 | 7,290 | - | - | 8,663 | - | 101,687 |

**Elements of remuneration related to performance**

s.300A(1)(e)(i) For each person referred to in the above tables s.300(A)(1)(e)(i) requires an explanation of the relative proportions of those elements of the person's remuneration that are related to performance and those elements of the person's remuneration that are not.

s.300A(1)(ba) If an element of the remuneration of a director, secretary or senior manager is dependent on the satisfaction of a performance condition:

(a) a detailed summary of the performance condition; and

(b) an explanation of why the performance condition was chosen; and

(c) a summary of the methods used in assessing whether the performance condition is satisfied and an explanation of why those methods were chosen; and

(d) if the performance condition involves a comparison with factors external to the company:

  i. a summary of the factors to be used in making the comparison; and

  ii. if any of the factors relates to the performance of another company, of 2 or more other companies or of an index in which the securities of a company or companies are included – the identity of that company, of each of those companies or of the index.

s.300A(1)(d) If an element of the remuneration of a person referred to in s.300A(1)(c) consists of securities of a body and that element is not dependent on the satisfaction of a performance condition – an explanation of why that element of the remuneration is not dependent on the satisfaction of a performance condition.

Source reference

### Value of options issued to directors and executives

s.300A(1)(e) The following table discloses the value of options granted, exercised or lapsed during the year:

| | Options Granted | Options Exercised | Options Lapsed | Total value of options granted, exercised and lapsed[3] | Value of options included in remuneration for the year[4] | Percentage of total remuneration for the year that consists of options |
|---|---|---|---|---|---|---|
| | Value at grant date | Value at exercise date | Value at time of lapse | | | |
| | $ | $ | $ | $ | $ | % |
| P.H. Taylor | 105,600 | 62,500[1] | - | 168,100 | 105,600 | 22.75 |
| W.L. Lee | 7,500 | 8,125[2] | - | 15,625 | 7,500 | 5.99 |
| L.J. Jackson | 7,500 | 8,125[2] | - | 15,625 | 7,500 | 6.01 |
| C.P. Daniels | 5,000 | 5,417[2] | - | 10,417 | 5,000 | 4.42 |
| N.W. Wright | 5,000 | 5,417[2] | - | 10,417 | 5,000 | 4.57 |
| T.L. Smith | 34,650 | - | - | 34,650 | 8,663 | 8.52 |

**Value of options - basis of calculation**

(1) Options exercised during the year were granted on 31st March 2004.

(2) Options exercised during the year were granted in the current year.

(3) The total value of options granted, exercised and lapsed is calculated based on the following:

- Fair value of the option at grant date multiplied by the number of options granted during the year; plus
- Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year; plus
- Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.

(4) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 1046 'Director and Executive Disclosures by Disclosing Entities', as amended by Accounting Standard AASB 1046A. This requires the following:

- The value of the options is determined at grant date, and are included in remuneration on a proportionate basis from grant date to vesting date. Where the options immediately vest the full value of the option is recognised in remuneration in the current year.
- With the exception of options granted to T.L. Smith, all options vest at the date of issue. The options granted to T.L. Smith vest when the share price of DTT Consolidated Limited, as quoted on the Australian Stock Exchange, exceeds $4.00, which is not expected to occur before 30 September 2006. These options were issued on 30 September 2005, therefore, in accordance with Accounting Standard AASB 1046 'Director and Executive Disclosures by Disclosing Entities', as amended by Accounting Standard AASB 1046A, only a portion of the total fair value of the options at grant date is included in remuneration for the financial year.

## Registered schemes

s.300(12) The directors' report for a listed registered scheme should disclose the following details for each director of the responsible entity for the scheme:

(a) their relevant interests in the scheme;

(b) their rights or options over interests in the scheme; and

(c) contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver interests in the scheme.

s.300(13) The directors' report for a registered scheme (whether listed or unlisted) should disclose details of:

(a) the fees paid to the responsible entity and its associates out of scheme property during the financial year;

(b) the number of interests in the scheme held by the responsible entity or its associates as at the end of the financial year;

(c) interests in the scheme issued during the financial year;

**Source reference**

(d) withdrawals from the scheme during the financial year;
(e) the value of the scheme's assets as at the end of the financial year, and the basis for the valuation; and
(f) the number of interests in the scheme as at the end of the financial year.

## Proceedings on behalf of the company

s.300(14) The directors' report should disclose, with respect to persons applying for leave under s.237 to bring, or intervene in, proceedings on behalf of the company, the applicant's name and a statement whether leave was granted.

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

## Non-audit services *(listed companies only)*

s.300(11B)(b) The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

s.300(11B)(c) Directors should also include a statement of reasons for being satisfied that the provision of non-audit services, during the year, by the auditor (or another person or firm on the auditor's behalf) did not compromise the auditor independence requirements of the Corporations Act 2001.

s.300(2A), s.300(11B)(a) Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements.

s.300(11B) If consolidated financial statements are required, the details and statements must relate to amounts paid or payable to the auditor by, and non-audit services provided to, any entity (including the company, registered scheme or disclosing entity) that is part of the consolidated entity.

s.300(11C) For the purposes of s.300A(11B)(a), the details of amounts paid or payable to an auditor for non-audit services provided, during the year, by the auditor (or by another person or firm on the auditor's behalf) are:
(a) the name of the auditor; and
(b) the dollar amount that:
  i. the listed company; or
  ii. if consolidated financial statements are required – any entity that is part of the consolidated entity;
  
  paid, or is liable to pay, for each of those non-audit services.

s.300(11D) The statements under s.300(11B)(b) and (c) must be made in accordance with:
(a) advice provided by the listed company's audit committee if the company has an audit committee; or
(b) a resolution of the directors of the listed company if the company does not have an audit committee.

s.300(11E) For the purposes of s.300(11D), a statement is taken to be made in accordance with advice provided by the company's audit committee only if:
(a) the statement is consistent with that advice and does not contain any material omission of material included in that advice; and
(b) the advice is endorsed by a resolution passed by the members of the audit committee; and
(c) the advice is written advice signed by a member of the audit committee on behalf of the audit committee and given to the directors.

**Source reference**

## Auditor's independence declaration

s.298(1) The auditor's independence declaration is included on page B19 of the financial report.

s.298(1) The directors' report must include a copy of the auditor's declaration under s.307C in relation to the audit for the financial year.

Deloitte believe that it is appropriate that the auditor's independence declaration be prepared on letterhead and be placed immediately after the directors' report. The directors' report should provide a cross reference to the declaration.

## Extension of audit rotation period *(listed companies only)*

s.300(11A) Where, in accordance with s.342A, ASIC has made a declaration to enable an individual who is a registered company auditor to continue to play a significant role (as defined in s.9) in the audit of a listed company (by extending the audit involvement period from the normal 5 successive financial years to 6 or 7 successive financial years), the directors' report must include details of the declaration.

## True and fair view

s.298(1A) If the financial report for a financial year includes additional information under s.295(3)(c) to give a true and fair view of financial position and performance, the directors' report for the financial year must also:

(a) set out the directors' reasons for forming the opinion that the inclusion of that additional information was necessary to give a true and fair view required by s.297; and

(b) specify where that additional information can be found in the financial report.

## Rounding off of amounts

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

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

OR

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

OR

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

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

On behalf of the Directors

*(Signature)*
C.J. Chambers
Director
Melbourne, 20 March 2006

Source reference

# Independence declaration to the directors of DTT Consolidated Limited

An independence declaration shall be drafted by the auditor in accordance with s.307C of the Corporations Act 2001.
The directors' report must include a copy of this declaration.
Deloitte believe that it is appropriate that the auditor's independence declaration be prepared on letterhead and be placed immediately after the directors' report. The directors' report should provide a cross reference to the declaration.

**Source reference**

# Independent audit report to the members of DTT Consolidated Limited

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

**Source reference**

### Duty to form an opinion

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

s.307(a)
- whether the financial report is in accordance with the Corporations Act 2001, including:
  - i. whether the report complies with accounting standards; and
  - ii. whether the report gives a true and fair view of the financial performance and position of the entity (or consolidated entity); and

s.307(aa)
- if the financial report includes additional information under s.295(3)(c) (information included to give true and fair view of financial position and performance) – whether the inclusion of that additional information was necessary to give the true and fair view required by s.297; and

s.307(b)
- whether the auditor has been given all information, explanations and assistance necessary for the conduct of the audit; and

s.307(c)
- whether the company has kept financial records sufficient to enable a financial report to be prepared and audited; and

s.307(d)
- whether the company has kept other records and registers as required by the Corporations Act 2001.

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

### Qualified audit opinions

Where a qualified opinion is required refer to the examples contained in the relevant Australian Auditing Standards (AUSs).

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

### Duty to report

s.308(3)(a) The auditor is required to report any defect or irregularity in the financial report.

s.308(3A) The audit report must include any statements or disclosures required by the auditing standards.

s.308(3B) If the financial report includes additional information under s.295(3)(c) (information included to give true and fair view of financial position and performance), the audit report must also include a statement of the auditor's opinion on whether the inclusion of that additional information was necessary to give the true and fair view required by s.297.

### Duty to inform

s.311(1) The auditor must inform the ASIC in writing if the auditor is aware of circumstances that:

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

s.311(1) The auditor is required to notify ASIC in writing of the circumstances of the matters outlined above as soon as practicable and in any case within 28 days, after the auditor becomes aware of those circumstances.

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

**Source reference**

### Meaning of person involved in the conduct of an audit

s.311(6) A person involved in the conduct of an audit means:

(a) the auditor; or
(b) the lead auditor for the audit; or
(c) the review auditor for the audit; or
(d) a professional member of the audit team for the audit; or
(e) any other person involved in the conduct of the audit.

### Auditor's independence declaration

s.307C(1) If an *individual auditor* conducts an audit of the financial report for the financial year the individual auditor must give the directors of the company, registered scheme or disclosing entity a written declaration that, to the best of the individual auditor's knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) no contraventions of any applicable code of professional conduct in relation to the audit; or

a written declaration that, to the best of the individual auditor's knowledge and belief, the only contraventions of:

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

are those contraventions details of which are set out in the declaration.

s.307C(3) If an *audit firm* or *audit company* conducts an audit of the financial report for the financial year the lead auditor must give the directors of the company, registered scheme or disclosing entity a written declaration that, to the best of the lead auditor's knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) no contraventions of any applicable code of professional conduct in relation to the audit; or

a written declaration that, to the best of the lead auditor's knowledge and belief, the only contraventions of:

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

are those contraventions details of which are set out in the declaration.

Source reference

# Directors' declaration

The directors declare that:

s.295(4)(c) (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

s.295(4)(d) (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

s.295(4)(e) (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001 *[listed companies, listed disclosing entities and listed registered schemes only]*.

ASIC-CO 98/1418 At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 52 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

*(Signature)*
C.J. Chambers
Director

Melbourne, 20 March 2006

**Source reference**

# Format of the financial report

## General disclosures

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

AASB101.Aus45.1
- the financial report shall be presented in the English language;

AASB101.44
- the financial report shall be identified clearly and distinguished from other information in the same published document;

AASB101.49
- financial reports shall be presented at least annually;

AASB101.49
- if the entity's reporting date changes and the annual financial report is presented for a period longer or shorter than one year, the entity shall disclose, in addition to the period covered by the financial report:
  - the reason for using a longer or shorter period; and
  - the fact that comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable;

AASB101.46
- each component of the financial report shall be clearly identified;
- the following information shall be displayed prominently, and repeated where necessary for a proper understanding of the information presented:
  - AASB101.46(a) the name of the entity that is reporting or other means of identification, and any change in that information from the preceding reporting date (for example, to give a proper understanding, the change of name may be disclosed on the cover of the financial report and repeated in the directors' report, the directors' declaration, audit report and on the face of the financial statements);
  - AASB101.46(b) whether the financial report covers the individual entity or a consolidated entity;
  - AASB101.46(c) the reporting date or the period covered by the financial report, whichever is appropriate to that component of the financial report;
  - AASB101.46(d), Aus46.1 the presentation currency. When the presentation currency is different from the Australian currency, the entity shall disclose the reason and justification for not using the Australian currency; and
  - AASB101.46(e) the level of rounding used in presenting amounts in the financial report;

AASB121.57
- supplementary information may be provided in currencies different from an entity's functional or presentation currency where the entity:
  - clearly identifies the information as supplementary information to distinguish it from the information that complies with A-IFRS;
  - discloses the currency in which the supplementary information is displayed; and
  - discloses the entity's functional currency and the method of translation used to determine the supplementary information; and
- the presentation and classification of items in the financial report shall be retained from one period to the next unless:
  - AASB101.27(a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial report, that another presentation or classification would be more appropriate; or
  - AASB101.27(b) an Accounting Standard requires a change in presentation.

## Specific disclosures

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

AASB101.126(a)
- the domicile and legal form of the entity, its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office);

**Source reference**

For a listed entity, this information would normally be disclosed in additional stock exchange information. However, non-listed entities will need to ensure that this information is specifically included in the financial report. These disclosure requirements are illustrated in note 61 to the model financial statements.

AASB101.126(b)
- a description of the nature of the entity's operations and its principal activities; and

  Complying with the Corporations Act 2001 directors' report requirements, in relation to principal activities, will ensure compliance with these requirements. This disclosure requirement is illustrated in the directors' report.

AASB101.126(c)
- the name of the parent entity of the entity and the ultimate parent entity of the consolidated entity.

  Complying with Accounting Standard AASB 124 'Related Party Disclosures' disclosure requirements with respect to parent entities will ensure compliance with these requirements. This disclosure requirement is illustrated in note 56 to the model financial statements.

## Notes to the financial statements

AASB101.103 The notes shall:

(a) present information about the basis of preparation of the financial report and the specific accounting policies used;

(b) disclose the information required by Accounting Standards that is not presented on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement; and

(c) provide additional information that is not presented on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement, but is relevant to an understanding of any of them.

AASB101.104 Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement shall be cross referenced to any related information in the notes.

## Comparative information

AASB101.36 Except when an Accounting Standard permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial report. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial report.

### Reclassification of financial information

AASB101.38 When the presentation or classification of items in the financial report is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose:

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification:

AASB101.39 When it is impracticable to reclassify comparative amounts, an entity shall disclose:

(a) the reason for not reclassifying the amounts; and

(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

## Errors made in prior periods

AASB108.42 Material prior period errors shall be retrospectively corrected in the first financial report authorised for issue after their discovery by:

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

**Source reference**

AASB108.43 However, to the extent that it is impracticable to determine either:

- AASB108.44 the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period); or
- AASB108.45 the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

AASB108.46 Therefore, the correction of a prior period error is excluded from profit or loss for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.

The disclosure requirements with respect to errors made under previous GAAP are not discussed in these model financial statements. The correction of such errors is addressed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' (refer note 60).

### Change in accounting estimates

AASB108.36 Where a change in an accounting estimate affects the current reporting period only, the effect of the change shall be recognised in profit or loss in the reporting period in which the accounting estimate is revised.

Where the change in an accounting estimate affects both the current and future reporting periods, the effect of the change shall be recognised in profit or loss in the reporting period of the revision and in future reporting periods.

Changes to accounting estimates recognised in prior reporting periods shall not be applied with retrospective effect to prior reporting period financial statements.

The disclosure requirements with respect to revisions of accounting estimates are illustrated in note 2 to the model financial statements.

### True and fair override

AASB101.13 A financial report shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of Accounting Standards, with additional disclosure when necessary, is presumed to result in a financial report that achieves a fair presentation.

AASB101.Aus13.1 The Corporations Act 2001 requires an entity's financial report to comply with Accounting Standards and, if necessary to give a true and fair view, further information to be disclosed in the notes.

AASB101.21 In the extremely rare circumstances in which management concludes that compliance with a requirement in an Accounting Standard would be so misleading that it would conflict with the objective of financial reports set out in the Framework, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

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

Source reference

### Consolidated entity vs. group

The provisions of the Corporations Act 2001 use the term ‘consolidated entity’, rather than ‘group’, to refer to the parent entity and the subsidiaries included in the consolidated financial statements. Therefore, where consolidated financial statements are prepared under the Corporations Act 2001, the directors’ report, directors’ declaration and audit report shall adopt the term ‘consolidated entity’. For consistency within the DTT Consolidated Model Financial Report, the financial statements and notes thereto also adopt the term ‘consolidated entity’. However, as the Accounting Standards use the term ‘group’ to refer to the parent entity and its subsidiaries, it would be equally acceptable for the financial statements and the notes thereto to adopt the term ‘group’.

# Income statement for the financial year ended 31 December 2005
## (example of expenses disclosed by function)

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | Note | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| Revenue | 2 | 144,526 | 154,191 | 30,721 | 27,903 |
| Cost of sales | | (87,899) | (91,840) | (2,360) | (2,301) |
| **Gross profit** | | 56,627 | 62,351 | 28,361 | 25,602 |
| Other income | 2 | 2,391 | 1,037 | 252 | 41 |
| Share of profits of associates and jointly controlled entities accounted for using the equity method | | 1,186 | 1,589 | - | - |
| Distribution expenses | | (5,087) | (4,600) | (488) | (490) |
| Marketing expenses | | (3,293) | (1,573) | (292) | (212) |
| Occupancy expenses | | (2,128) | (2,201) | (100) | (95) |
| Administration expenses | | (12,333) | (15,124) | (5,100) | (5,050) |
| Finance costs | | (5,159) | (6,729) | (2,514) | (1,783) |
| Other expenses | | (2,656) | (2,612) | (50) | (40) |
| **Profit before income tax expense** | 2 | 29,548 | 32,138 | 20,069 | 17,973 |
| Income tax expense | 3 | (11,306) | (11,801) | (6,178) | (5,547) |
| **Profit from continuing operations** | | 18,242 | 20,337 | 13,891 | 12,426 |
| Profit from discontinued operations | 2,55 | 8,310 | 9,995 | - | - |
| **Profit for the period** | | 26,552 | 30,332 | 13,891 | 12,426 |
| Profit attributable to minority interest | | (4,000) | (2,763) | - | - |
| **Profit attributable to members of the parent entity** | | 22,552 | 27,569 | 13,891 | 12,426 |
| | | | | | |
| **Earnings per share:** | | | | | |
| Basic (cents per share) | 45 | 105.2 | 129.9 | | |
| Diluted (cents per share) | 45 | 94.4 | 117.2 | | |
| **Earnings per share from continuing operations:** | | | | | |
| Basic (cents per share) | 45 | 64.4 | 82.8 | | |
| Diluted (cents per share) | 45 | 59.6 | 74.7 | | |

Notes to the financial statements are included on pages B39 to B187.

**Source references:** AASB101.81, 82, 83 and 88, AASB112.77, AASB127.33, AASB133.66 and 68, AASB5.33(a)

# Income statement for the financial year ended 31 December 2005

## (example of expenses disclosed by nature)

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | Note | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| Revenue | 2 | 144,526 | 154,191 | 30,721 | 27,903 |
| Other income | 2 | 2,391 | 1,037 | 252 | 41 |
| Share of profits of associates and jointly controlled entities accounted for using the equity method | | 1,186 | 1,589 | - | - |
| Changes in inventories of finished goods and work in progress | | (7,122) | 2,118 | (20) | 40 |
| Raw materials and consumables used | | (70,393) | (85,406) | (2,324) | (2,332) |
| Employee benefits expense | | (9,803) | (11,655) | (5,068) | (4,951) |
| Depreciation and amortisation expense | | (12,193) | (14,239) | (48) | (45) |
| Finance costs | | (5,159) | (6,729) | (2,514) | (1,783) |
| Impairment of non-current assets | | (219) | - | - | - |
| Consulting expense | | (2,995) | (1,220) | - | - |
| Other expenses | | (10,671) | (7,548) | (930) | (900) |
| **Profit before income tax expense** | 2 | 29,548 | 32,138 | 20,069 | 17,973 |
| Income tax expense | 3 | (11,306) | (11,801) | (6,178) | (5,547) |
| **Profit from continuing operations** | | 18,242 | 20,337 | 13,891 | 12,426 |
| Profit from discontinued operations | 2,55 | 8,310 | 9,995 | - | - |
| **Profit for the period** | | 26,552 | 30,332 | 13,891 | 12,426 |
| Profit attributable to minority interest | | (4,000) | (2,763) | - | - |
| **Profit attributable to members of the parent entity** | | 22,552 | 27,569 | 13,891 | 12,426 |
| | | | | | |
| **Earnings per share:** | | | | | |
| Basic (cents per share) | 45 | 105.2 | 129.9 | | |
| Diluted (cents per share) | 45 | 94.4 | 117.2 | | |
| **Earnings per share from continuing operations:** | | | | | |
| Basic (cents per share) | 45 | 64.4 | 82.8 | | |
| Diluted (cents per share) | 45 | 59.6 | 74.7 | | |

Notes to the financial statements are included on pages B39 to B187.

**Source references:** AASB101.81, 82, 83 and 88, AASB112.77, AASB127.33, AASB133.66 and 68, AASB5.33(a)

**Source reference**

### Presentation of revenues and expenses

AASB101.81 As a minimum, the face of the income statement 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 the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and

(f) profit or loss.

AASB101.82 The following items shall be disclosed on the face of the income statement as allocations of profit or loss for the period:

(a) profit or loss attributable to minority interest; and

(b) profit or loss attributable to equity holders of the parent.

AASB101.88, 89 An entity shall present, either on the face of the income statement or in the notes to the financial statements, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant. Sub-classifications of expenses by nature or function have been illustrated in the example on the face of the income statement as is encouraged in the Accounting Standard.

AASB101.94 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, the Accounting Standard requires management 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, AASB1031 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. It follows that the total of unclassified expenses is unlikely to exceed 10 per cent of total expenses classified by nature or by function.

### Disclosure of specific revenues and expenses

AASB101.85, 86 When items of income and expense are material, their nature and amount shall be disclosed separately either on the face of the income statement or in the notes to the financial statements. Note, these items shall not be described as extraordinary items.

### Disclosure of additional information

AASB101.83 In addition to those disclosures explained above, additional line items, headings and subtotals shall be presented on the face of the income statement when such presentation is relevant to an understanding of the entity's financial performance.

AASB101.85 However, an entity shall not present any items of income and expense as extraordinary items, either on the face of the income statement or in the notes to the financial statements.

# Balance sheet as at 31 December 2005

| | Note | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | 58 | 20,199 | 19,778 | 8,552 | 6,681 |
| Trade and other receivables | 7 | 19,518 | 17,197 | 16,443 | 14,749 |
| Other financial assets | 8 | 10,933 | 8,841 | 27,690 | 30,853 |
| Inventories | 9 | 31,544 | 30,352 | 220 | 240 |
| Current tax assets | 3 | 85 | 60 | - | - |
| Other | 10 | - | - | - | - |
| | | 82,279 | 76,228 | 52,905 | 52,523 |
| Non-current assets classified as held for sale | 11 | 22,336 | - | - | - |
| **Total current assets** | | 104,615 | 76,228 | 52,905 | 52,523 |
| **Non-current assets** | | | | | |
| Trade and other receivables | 12 | - | - | - | - |
| Inventories | 13 | - | - | - | - |
| Investments accounted for using the equity method | 14 | 8,425 | 7,269 | - | - |
| Other financial assets | 15 | 9,344 | 7,612 | 68,532 | 68,450 |
| Property, plant and equipment | 16 | 111,235 | 134,461 | 476 | 505 |
| Investment property | 17 | 136 | 132 | - | - |
| Deferred tax assets | 3 | - | - | - | 37 |
| Goodwill | 18 | 20,208 | 24,060 | - | - |
| Other intangible assets | 19 | 9,739 | 11,325 | - | - |
| Other | 20 | - | - | - | - |
| **Total non-current assets** | | 159,087 | 184,859 | 69,008 | 68,992 |
| **Total assets** | | 263,702 | 261,087 | 121,913 | 121,522 |
| **Current liabilities** | | | | | |
| Trade and other payables | 24 | 13,533 | 15,990 | 648 | 2,269 |
| Borrowings | 25 | 34,346 | 37,500 | 15,139 | 23,855 |
| Other financial liabilities | 26 | 80 | - | - | - |
| Current tax payables | 3 | 5,133 | 5,868 | 4,624 | 4,643 |
| Provisions | 27 | 3,416 | 3,247 | 112 | 96 |
| Other | 28 | 90 | 95 | - | - |
| | | 56,598 | 62,700 | 20,523 | 30,863 |
| Liabilities directly associated with non-current assets classified as held for sale | 29 | 3,684 | - | - | - |
| **Total current liabilities** | | 60,282 | 62,700 | 20,523 | 30,863 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 30 | - | - | - | - |
| Borrowings | 31 | 25,311 | 26,078 | 36,087 | 17,083 |
| Other financial liabilities | 32 | - | - | - | - |
| Deferred tax liabilities | 3 | 4,591 | 3,693 | 423 | - |
| Provisions | 33 | 2,298 | 2,326 | 20 | 48 |
| Other | 34 | 180 | 270 | - | - |
| **Total non-current liabilities** | | 32,380 | 32,367 | 36,530 | 17,131 |
| **Total liabilities** | | 92,662 | 95,067 | 57,053 | 48,001 |
| **Net assets** | | 171,040 | 166,020 | 64,860 | 73,521 |
| **Equity** | | | | | |
| Issued capital | 41 | 32,777 | 48,672 | 32,777 | 48,672 |
| Reserves | 42 | 4,299 | 2,545 | 1,663 | 1,146 |
| Retained earnings | 43 | 109,959 | 94,798 | 30,420 | 23,703 |
| | | 147,035 | 146,015 | 64,860 | 73,521 |
| Amounts recognised directly in equity relating to non-current assets classified as held for sale | 44 | - | - | - | - |
| Parent entity interest | | 147,035 | 146,015 | 64,860 | 73,521 |
| Minority interest | | 24,005 | 20,005 | - | - |
| **Total equity** | | 171,040 | 166,020 | 64,860 | 73,521 |

Notes to the financial statements are included on pages B39 to B187.

**Source references:** AASB101.68, Aus68.1, 68A and 69, AASB127.33, AASB5.38

**Source reference**

### Current/non-current vs. liquidity presentation

AASB101.51 All assets and all liabilities shall be classified and presented as either current or non-current unless they are presented in order of their liquidity. The term 'current' is defined for:

AASB101.57 (a) assets, as an asset that is:
   i. expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle; or
   ii. held primarily for the purpose of being traded; or
   iii. expected to be realised within 12 months after the reporting date; or
   iv. cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date;

AASB101.60 (b) liabilities, as a liability that:
   i. is expected to be settled in the entity's normal operating cycle; or
   ii. is held primarily for the purpose of being traded; or
   iii. is due to be settled within 12 months after the reporting date; or
   iv. the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

Enquiries regarding specialised industries should be directed to an industry specialist in your nearest Deloitte Touche Tohmatsu office.

### Operating cycle

AASB101.59 A company's operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Once an entity defines their operating cycle it affects the classification and presentation of assets and liabilities as either current or non-current.

AASB101.59, 61 To classify items between current and non-current, a 12 month period shall be used when an entity's normal operating cycle is not clearly identifiable.

AASB101.57, 60 However, where there is a single clearly identifiable operating cycle that extends over a period greater than 12 months, the longer period shall be used as the basis for identifying as:

(a) current assets, those assets expected to be realised in, or intended for sale or consumption in, the entity's normal operating cycle; and
(b) current liabilities, those liabilities expected to be settled in the entity's normal operating cycle.

AASB101.59, 61 In situations where a single operating cycle has been identified, 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 reporting date.

### Refinancing liabilities

AASB101.63 Where current and non-current liabilities are presented separately, financial liabilities shall be categorised as current when they are due to be settled within 12 months of reporting date, even if:

(a) the original term was for a period longer than 12 months; and
(b) an agreement to refinance, or to reschedule payments, on a long term basis is completed after the reporting date and before the financial report is authorised for issued.

AASB101.64 However, if an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting date under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.

Source reference

### Breach of loan covenants

AASB101.65 Where current and non-current liabilities are presented separately and an undertaking, including a covenant included in a borrowing agreement, is breached such that the liability becomes payable on demand, the liability shall be categorised as current even if the lender has agreed, after the reporting date, and before the authorisation of the financial report for issue, not to demand payment as a consequence of the breach.

AASB101.66 However, the liability is classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least 12 months after the reporting date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

### Offsetting

AASB101.32 Assets and liabilities shall only be set-off where required or permitted by an Accounting Standard, for example, Accounting Standard AASB 132 'Financial Instruments: Disclosure and Presentation'.

### 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 balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented.

# Statement of recognised income and expense for the financial year ended 31 December 2005

| | Note | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| Gain/(loss) on property revaluation | 42 | - | 1,643 | - | 2 |
| Available-for-sale investments: | 42 | | | | |
| Valuation gain/(loss) taken to equity | | 94 | - | (24) | - |
| Transferred to profit or loss on sale | | - | - | - | - |
| Transferred to profit or loss on impairment | | - | - | - | - |
| Cash flow hedges: | 42 | | | | |
| Gain/(loss) taken to equity | | 1,673 | - | - | - |
| Transferred to profit or loss for the period | | (330) | - | - | - |
| Transferred to initial carrying amount of hedged item | | 87 | - | - | - |
| Net gain/(loss) on hedge of net investment in foreign operation: | | | | | |
| Gain/(loss) taken to equity | | - | - | - | - |
| Transferred to profit or loss on sale | | - | - | - | - |
| Translation of foreign operations: | | | | | |
| Exchange differences taken to equity | 42 | 40 | 357 | - | - |
| Transferred to profit or loss on sale | | (120) | - | - | - |
| Actuarial gain/(loss) on defined benefit plans | 37,43 | (235) | (226) | - | - |
| Share of increments in reserves attributable to associates | | - | - | - | - |
| Share of increments in reserves attributable to jointly controlled entities | | - | - | - | - |
| Income tax on items taken directly to or transferred from equity | | (361) | (600) | 7 | (1) |
| Other | | (5) | - | - | - |
| **Net income recognised directly in equity** | | 843 | 1,174 | (17) | 1 |
| Profit for the period | | 26,552 | 30,332 | 13,891 | 12,426 |
| **Total recognised income and expense for the period** | | 27,395 | 31,506 | 13,874 | 12,427 |
| | | | | | |
| Attributable to: | | | | | |
| Equity holders of the parent | | 23,395 | 28,743 | 13,874 | 12,427 |
| Minority interest | | 4,000 | 2,763 | - | - |
| | | 27,395 | 31,506 | 13,874 | 12,427 |
| | | | | | |
| Effects of changes in accounting policy: | | | | | |
| Equity holders of the parent | 60 | | 243 | | 90 |
| Minority interest | 60 | | - | | - |
| | | | 243 | | 90 |

Notes to the financial statements are included on pages B39 to B187.

**Source references:** AASB101.96, AASB128.39, AASB131.Aus57.5, AASB132.59

| Source reference | |
|---|---|
| AASB101.96 | An entity shall present a statement of changes in equity showing on the face of the statement:<br>(a) profit or loss for the period;<br>(b) each item of income and expense for the period that, as required by other Standards, is recognised directly in equity, and the total of these items;<br>(c) total income and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to equity holders of the parent and to minority interest; and<br>(d) for each component of equity, the effects of changes in accounting policies and corrections of errors. |
| AASB101.96, AASB119.93B | A statement of changes in equity that comprises only these items shall be titled a statement of recognised income and expense. Where an entity recognises actuarial gains and losses with respect to defined benefit plans outside profit or loss, the entity shall present this format of the statement of changes in equity. The entity cannot present the more detailed statement as allowed below.<br>These disclosures have been illustrated in the example on the face of the statement of recognised income and expense. |
| AASB101.97 | An entity shall also present, either on the face of the statement of changes in equity or in the notes to the financial statements:<br>(a) the amounts of transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders;<br>(b) the balance of retained earnings at the beginning of the period and at the reporting date, and the changes during the period; and<br>(c) a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and the end of the period, separately disclosing each change.<br>These disclosures have not been illustrated in the example on the face of the statement of recognised income and expense. These disclosure requirements are illustrated in notes 43 to 45 in the model financial statements. |
| AASB101.98 | Changes in an entity's equity between two reporting dates reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with equity holders acting in their capacity as equity holders (for example, equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expenses, including gains and losses, generated by the entity's activities during that period (whether those items of income and expenses are recognised in profit or loss or directly as changes in equity). |
| AASB101.99 | 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. |

# Cash flow statement
# for the financial year ended 31 December 2005

| Source reference | | Note | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|---|
| AASB101.102 | | | | | | |
| AASB107.10 | **Cash flows from operating activities** | | | | | |
| | Receipts from customers | | 147,259 | 159,467 | 15,190 | 15,228 |
| | Payments to suppliers and employees | | (97,193) | (104,715) | (5,474) | (5,328) |
| AASB107.31 | Interest and other costs of finance paid | | (5,126) | (6,709) | (2,516) | (1,783) |
| AASB107.35 | Income tax paid | | (13,824) | (11,620) | (8,154) | (5,942) |
| | Net cash provided by/(used in) operating activities | 58(g) | 31,116 | 36,423 | (945) | 2,175 |
| AASB107.10 | **Cash flows from investing activities** | | | | | |
| | Payment for investment securities | | (5,205) | (7,612) | (18) | (2,970) |
| | Proceeds on sale of investment securities | | 3,616 | 6,582 | 218 | 2,970 |
| AASB107.31 | Interest received | | 1,942 | 1,069 | 3,246 | 1,739 |
| AASB107.31 | Dividends received | | 181 | 179 | 8,945 | 10,961 |
| | Proceeds from repayment of related party loans | | 7,931 | 4,729 | 34,269 | 40,122 |
| | Amounts advanced to related parties | | (8,067) | (6,123) | (35,322) | (38,297) |
| | Payment for property, plant and equipment | | (22,983) | (11,902) | (55) | (28) |
| | Proceeds from sale of property, plant and equipment | | 9,872 | 27,295 | 50 | 107 |
| | Payment for intangible assets | | (6) | (358) | - | - |
| | Development costs paid | | (502) | (440) | - | - |
| AASB107.39 | Proceeds from sale of businesses | 58(c) | 6,866 | - | - | - |
| AASB107.39 | Payment for businesses | 58(b) | (622) | - | - | - |
| | Net cash (used in)/provided by investing activities | | (6,977) | 13,419 | 11,333 | 14,604 |
| AASB107.10 | **Cash flows from financing activities** | | | | | |
| | Proceeds from issues of equity securities | | 934 | - | 934 | - |
| | Payment for share issue costs | | (5) | - | (5) | - |
| | Payment for share buy-back: | | | | | |
| | - members of the parent entity | | (17,205) | - | (17,205) | - |
| | - minority interests | | - | - | - | - |
| | Proceeds from issue of debt securities | | 21,616 | - | 21,616 | - |
| | Payment for debt issue costs | | (595) | - | (595) | - |
| | Proceeds from borrowings | | 18,796 | 45,755 | 14,171 | 20,069 |
| | Repayment of borrowings | | (39,379) | (84,953) | (21,014) | (28,017) |
| AASB107.31, 34 | Dividends paid: | | | | | |
| | - members of the parent entity | | (6,635) | (6,479) | (6,635) | (6,479) |
| | - minority interests | | - | - | - | - |
| | Net cash used in financing activities | | (22,473) | (45,677) | (8,733) | (14,427) |
| | **Net increase in cash and cash equivalents** | | 1,666 | 4,165 | 1,655 | 2,352 |
| | **Cash and cash equivalents at the beginning of the financial year** | | 19,400 | 15,260 | 6,469 | 4,117 |
| AASB107.28 | Effects of exchange rate changes on the balance of cash held in foreign currencies | | 30 | (25) | - | - |
| | **Cash and cash equivalents at the end of the financial year** | 58(a) | 21,096 | 19,400 | 8,124 | 6,469 |

Notes to the financial statements are included on pages B39 to B187.

**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 which is included in the determination of profit or loss. However, the cash flows relating to such transactions are cash flows from investing activities.

### 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. Examples of cash flows arising from investing activities are:

(a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;

(b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;

(c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);

(d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);

(e) cash advances and loans made to other parties (other than advances and loans made by a financial institution);

(f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution);

(g) cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and

(h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.

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

**Source reference**

### 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.

### Taxes on income

AASB107.35 Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

### Investments in subsidiaries, associates and joint ventures

AASB107.37 When accounting for an investment in an associate or a subsidiary accounted for by use of the equity or cost method, an investor restricts its reporting in the cash flow statement to the cash flows between itself and the investee, for example, to dividends and advances.

AASB107.38 An entity reports its interest in a jointly controlled entity using the equity method and includes in its cash flow statement the cash flows in respect of its investments in the jointly controlled entity, and distributions and other payments or receipts between it and the jointly controlled entity.

### Non-cash transactions

AASB107.43 Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a cash flow statement. Such transactions shall be disclosed elsewhere in the financial report in a way that provides all the relevant information about these investing and financing activities.

# Notes to the financial statements for the financial year ended 31 December 2005



A contents page is not mandatory; however it may assist readers to understand the financial report.

**Source reference**

AASB101.103

# 1. Summary of accounting policies

## Statement of compliance

AASB101.Aus13.2, Aus13.3, Aus13.4, 14, Aus14.1, AASB127.42(a), AASB132.Aus3.5

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

AASB110.17

The financial statements were authorised for issue by the directors on 20 March 2006.

## Basis of preparation

AASB101.108(a)

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

AASB101.113

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

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

AASB101.113

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

AASB101.15

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 January 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 January 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the company's and consolidated entity's financial position, financial performance and cash flows is discussed in note 60.

AASB119.Aus1.3

The directors have also elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 119 'Employee Benefits' (December 2004), even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

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

AASB1.36A(b), (c), AASB108.28(a), (b), (c), (d)

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004, and in the preparation of the opening A-IFRS balance sheet at 1 January 2004 (as disclosed in note 60), the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information and the impact of changes in these accounting policies on 1 January 2005, the date of transition for financial instruments, is discussed further in note 1(ae).

Source reference

## 1. Summary of accounting policies (cont'd)

AASB101.108(b) The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### Significant accounting policies

AASB101.108-112 The summary of accounting policies shall include a description of each specific accounting policy that is necessary for an understanding of the financial report. In making judgments about the details to be disclosed about an entity's accounting policies, consideration shall be given to the information needs of the likely users of the financial report, the nature of the entity's operations and the policies that a user would expect to find disclosed for that type of entity.

Materiality

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

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

### Going concern basis

AASB101.23 Where the financial report is prepared on a going concern basis, but material uncertainties exist in relation to events or conditions which cast doubt on the entity's ability to continue as a going concern, those uncertainties shall be disclosed. The events or conditions requiring disclosure may arise after the reporting date.

AASB101.23, AASB110.14 Where the going concern basis has not been used, this shall be disclosed together with a statement of the reasons for not applying this basis and the basis on which the financial report has been prepared. An entity shall not prepare its financial report on a going concern basis if management determines after the reporting date either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

### Example accounting policies

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

(a) Borrowings

AASB132.60(b) Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(b) Borrowing costs

AASB123.29(a) Borrowing costs directly attributable to buildings under construction are capitalised as part of the cost of those assets.

A consolidated entity that elects to expense all borrowing costs as they are incurred shall disclose the elected policy.

(c) Cash and cash equivalents

AASB107.46 Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Source reference

# 1. Summary of accounting policies (cont'd)

(d) Comparative amounts

AASB101.38, 39

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

When comparative amounts are reclassified, an entity shall disclose:

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

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

(a) the reason for not reclassifying the amounts; and

(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

(e) Construction contracts

AASB111.39(b), 39(c)

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the financial year plus the percentage of fees earned. Percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where a loss is expected to occur it is recognised immediately and is made for both work in progress completed to date and for future work on the contract.

(f) Date of incorporation

The following accounting policy note is suggested in the year of incorporation.

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

(g) Derivative financial instruments

AASB132.60(b)

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 59 to the financial statements.

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

<u>Fair value hedge</u>

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

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

<u>Cash flow hedge</u>

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

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

Source reference

## 1. Summary of accounting policies (cont'd)

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

A consolidated entity that elects not to adjust the initial measurement of the cost of a non-financial asset or a non-financial liability by the amount deferred in equity, shall disclose the elected policy.

Net investment hedge

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

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

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

Embedded derivatives

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

(h) Employee benefits

AASB119 Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

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

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

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

For defined benefit superannuation plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur, and are presented in the statement of recognised income and expense.

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

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

A consolidated entity that elects to adopt the corridor approach or to recognise actuarial gains and losses in full in profit or loss shall disclose the elected policy.

Source reference

## 1. Summary of accounting policies (cont'd)

AASB119.78, Aus78.1

Interest rates attaching, as at reporting date, to the appropriate national government guaranteed securities shall be used to discount future cash outflows. The national government guaranteed security rates used shall be those attaching to securities which have terms to maturity that match, as closely as possible, the terms of the related liabilities.

(i) Financial assets

AASB132.61

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

A consolidated entity that elects to account for investments on settlement date shall disclose the elected policy.

AASB127, AASB128

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

A parent entity that elects to measure investments in subsidiaries and associates, that are not classified as held for sale, in accordance with Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement', shall disclose the elected policy.

AASB132.60(b)

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

Financial assets at fair value through profit or loss

The consolidated entity has classified certain shares and options (refer note 1(g)) as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in note 59.

Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

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

Available-for-sale financial assets

Certain shares and convertible notes held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described in note 59. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

Source reference

# 1. Summary of accounting policies (cont'd)

(j) Financial instruments issued by the company

AASB132.60(b) Debt and equity instruments

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

Compound instruments

AASB132.28, 31 The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Transaction costs on the issue of equity instruments

AASB132.35 Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

AASB132.35 Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(k) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

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

- AASB123.5(e) exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- AASB139.72 exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 1(g)); and
- AASB121.15 exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

The financial statements of foreign subsidiaries, associates and jointly controlled entities that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the reporting date before they are translated into Australian dollars.

Source reference

## 1. Summary of accounting policies (cont'd)

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

A consolidated entity that elects to retrospectively apply Accounting Standard AASB 121 'The Effects of Changes to Foreign Exchange Rates' to goodwill arising in business combinations before the date of transition to A-IFRS should disclose the elected policy.

### (l) Goods and services tax

UIG1031

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

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

### (m) Goodwill

AASB3.51, 54

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also note 1(o).

### (n) Government grants

AASB120.39(a), UIG110

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

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned.

### (o) Impairment of assets

AASB136

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

**Source reference**

## 1. Summary of accounting policies (cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer note 1(aa)) .

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 1(aa)).

(p) Income tax

Current tax

AASB112.12, 46 Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

AASB112.15, 24 In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

AASB112.39, 44 Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

AASB112.47, 51 Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

**Source reference**

## 1. Summary of accounting policies (cont'd)

AASB112.74

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

Current and deferred tax for the period

AASB112.58

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

AASB112.78, Aus80.1

Where exchange differences on deferred foreign tax liabilities or assets are recognised in the income statement, such differences may be classified as deferred tax expense (income) if that presentation is considered to be the most useful to financial report users. Where this is the case, the above accounting policies should be amended to reflect this treatment, and the reasons why that presentation is considered the most useful to financial report users.

Additional information on accounting policies shall be included where the entity has other material tax balances not covered by the above analysis. This could include material recognised or unrecognised deferred tax assets that are related to share-based payments, investments in subsidiaries, branches, associates or joint venture entities, or interests in joint venture operations.

Tax consolidation

UIG1052

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. DTT Consolidated Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach*. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 3 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

* Draft UIG Interpretation 1052 'Tax Consolidation Accounting' (as revised in March 2005) does not specify a single method for measuring current and deferred taxes of entities in a tax-consolidated group. However, the method adopted shall be systematic, rational and consistent with the broad principles established in AASB 112 and applied by each entity in a tax-consolidated group.

The following methods are examples of acceptable methods:

(a) a 'stand alone taxpayer' basis for each entity as if it continued to be a taxable entity in its own right

(b) a 'separate taxpayer within group' approach for each entity, on the basis that the entity is subject to tax as part of the tax-consolidated group. This method requires adjustments for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the level of the group

Source reference

## 1. Summary of accounting policies (cont'd)

(c) a 'group allocation' approach, under which the income tax amounts for the tax-consolidated group are allocated among each entity in the group (subject to certain limitations).

Draft Interpretation 1052 requires entities to disclose the method used to measure current and deferred taxes within the tax-consolidated group.

At the time of finalisation of this publication, draft UIG Interpretation 1052 'Tax Consolidation Accounting' had not yet been finalised by the Urgent Issues Group. For more recent developments concerning this draft Interpretation, contact your nearest Deloitte Touche Tohmatsu office.

(q) Intangible assets

Patents, trademarks and licences

AASB138.118(a), 118(b)

Patents, trademarks and licences are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Research and development costs

AASB138.54

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

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

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

Internally-generated intangible assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives as follows:

- Capitalised development costs 5 years

A consolidated entity that elects to measure intangible assets at fair value shall disclose the elected policy.

Intangible assets acquired in a business combination

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

(r) Inventories

AASB102.36(a)

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

(s) Investment property

AASB140.75(a)

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Source reference

## 1. Summary of accounting policies (cont'd)

AASB140.75(b), 79(a), 79(b)

A consolidated entity that elects to measure investment property under the cost model shall disclose the elected policy, including disclosure of the depreciation methods and the useful lives or the depreciation rates used. A consolidated entity that has property interests held under operating leases classified and accounted for as investment properties shall disclose that accounting policy.

AASB140.75(c)

When classification is difficult, an entity shall disclose the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.

(t) Joint ventures

AASB131

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

A parent entity that elects to measure investments in jointly controlled entities, that are not classified as held for sale, in accordance with Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement', shall disclose the elected policy.

(u) Leased assets

AASB117

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

Consolidated entity as lessor

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

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Consolidated entity as lessee

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(b).

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

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

Source reference

# 1. Summary of accounting policies (cont'd)

UIG115

Lease incentives

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

(v) Non-current assets held for sale

AASB5

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

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

(w) Operating cycle

AASB101.Aus56.1

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

(x) Payables

AASB132.60(b)

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(y) Presentation currency

AASB101.Aus46.1, AASB121.53, 54

When the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of the functional currency and the reason for using a different presentation currency.

When the presentation currency is different from the Australian dollar, the entity shall disclose the reason and justification for not using the Australian dollar.

When there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed.

(z) Principles of consolidation

AASB127.42(c), AASB3

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 52 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Source reference

## 1. Summary of accounting policies (cont'd)

(aa) Property, plant and equipment

AASB116.73(a) Land and buildings are measured at fair value. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in the financial statements of the consolidated entity, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

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

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

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

AASB116.73(b) Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

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

AASB116.73(c)

- Buildings 0 - 30 years
- Leasehold improvements 5 years
- Plant and equipment 5 - 15 years
- Equipment under finance lease 5 years

AASB116.51, 61 Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

(ab) Provisions

AASB137 Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

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

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

Source reference

## 1. Summary of accounting policies (cont'd)

Onerous contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Restructuring

Provision for restructurings are recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

Warranties

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

AASB118.35(a) (ac) Revenue recognition

Sale of goods

AASB118.14 Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of services

AASB118.20 Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Royalties

AASB118.30 Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend and interest revenue

AASB118.30(a), 30(c) Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(ad) Share-based payments

AASB2.46 Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

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

Source reference

## 1. Summary of accounting policies (cont'd)

(ae) Comparative information – financial instruments

AASB1.36A In its first A-IFRS financial report, an entity that adopts A-IFRS before 1 January 2006 shall present at least one year of comparative information, but this comparative information need not comply with AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. An entity that chooses to present comparative information that does not comply with AASB 132 and AASB 139 in its first year of transition shall:

(a) apply its previous GAAP in the comparative information to financial instruments within the scope of AASB 132 and AASB 139;

(b) disclose this fact, together with the basis used to prepare this information; and

(c) disclose the nature of the main adjustments that would make the information comply with AASB 132 and AASB 139. The entity need not quantify those adjustments. However, the entity shall treat any adjustment between the balance sheet at the comparative period's reporting date (i.e. the balance sheet that includes comparative information under previous GAAP) and the balance sheet at the start of the first Australian-equivalents-to-IFRSs reporting period (i.e. the first period that includes information that complies with AASB 132 and AASB 139) as arising from a change in accounting policy and give the following disclosures:

AASB108.28(a) i. the title of the Australian Accounting Standard

AASB108.28(b) ii. when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

AASB108.28(c) iii. the nature of the change in accounting policy;

AASB108.28(d) iv. when applicable, a description of the transitional provisions;

AASB108.28(e) v. when applicable, the transitional provisions that might have an effect on future periods;

AASB108.28(f)(i) vi. for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected.

The following illustrative note has been prepared to illustrate the disclosures required by an entity that has elected not to restate comparative information for financial instruments under the scope of AASB 132 and AASB 139, as permitted under the first-time adoption transitional provisions. The accounting policies disclosed below are consistent with the recognition and measurement requirements under the superseded Accounting Standards and are applicable to the comparative reporting period. For reference purposes, the source of the comparative requirements has been included.

An entity that restates comparative information for financial instruments under the scope of AASB 132 and AASB 139 from the date of transition of all other Accounting Standards shall make disclosures similar to those illustrated in note 60 to these model financial statements.

AASB1.36A(b), AASB108.28(a), (b) The consolidated entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', as permitted on the first-time adoption of A-IFRS.

AASB1.36A(b), AASB108.28(c) The accounting policies applied to accounting for financial instruments in the current financial year are detailed in notes 1(a) to (ad). The following accounting policies were applied to accounting for financial instruments in the comparative financial year:

(a) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

Source reference

## 1. Summary of accounting policies (cont'd)

(b) Derivative financial instruments

Foreign exchange contracts

AASB1012.6.5(b) Exchange differences on forward foreign exchange contracts to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

In the event of the early termination of a foreign currency hedge of an anticipated purchase or sale of goods and services, the deferred gains and losses that arose on the foreign exchange contract prior to its termination are:

- AASB1012.6.6 deferred and included in the measurement of the purchase or sale when it takes place, where the anticipated transaction is still expected to occur; or
- AASB1012.6.7 recognised in net profit or loss at the date of termination, if the anticipated transaction is no longer expected to occur.

Interest rate contracts

Gains and losses on forward interest rate contracts are deferred and amortised over the term of the underlying borrowing.

Interest rate swaps

Gains and losses on interest rate swaps are included in the determination of interest expense.

(c) Financial instruments issued by the company

Debt and equity instruments

AASB1033.4.1 Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound instruments

AASB1033.6.4 Compound instruments issued before 1 January 1998 are classified as either liabilities or as equity, whichever is the predominant component part, in accordance with the substance of the contractual arrangement.

AASB1033.4.1, 4.3, 4.3.8 The component parts of compound instruments issued on or after 1 January 1998 are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. The liability component initially brought to account is the present value of the future payments of interest and principal. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Transaction costs on the issue of equity instruments

AASB1015.9.1 Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

AASB1033.4.4 Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(d) Foreign currency

AASB1012 General hedging transactions

Any costs or gains arising at the inception of a hedge are accounted for separately from the exchange differences on the hedging transactions. The costs or gains are deferred and recognised as assets or liabilities on entering the hedging transactions and amortised in profit or loss over the lives of the hedging transactions.

Hedging specific commitments

In relation to transactions intended to hedge specific purchases or sales:

i. costs or gains arising at the time of entering into the transactions; and

ii. exchange differences, to the extent that they arise up to the dates of purchase or sale,

are deferred and included in the measurement of the purchases or sales.

Source reference

## 1. Summary of accounting policies (cont'd)

(e) Borrowings

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

(f) Investments

AASB1010 Investments other than investments in subsidiaries, associates and joint venture entities are recorded at cost.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(g) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

Bills of exchange are recorded at amortised cost, with revenue recognised on an effective yield basis.

**Effect of changing the accounting policies for financial instruments**

AASB1.36A(c), AASB108.28(f)(i) The effect of changes in the accounting policies for financial instruments on the balance sheet as at 1 January 2005 is shown below:

Source reference

## 1. Summary of accounting policies (cont'd)

AASB1.36A(c), AASB108.28(f)(i)

| | Consolidated | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2004 $'000 | Effect of adoption $'000 | 1 Jan 2005 $'000 | 31 Dec 2004 $'000 | Effect of adoption $'000 | 1 Jan 2005 $'000 |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 19,778 | - | 19,778 | 6,681 | - | 6,681 |
| Trade and other receivables | 17,197 | - | 17,197 | 14,749 | - | 14,749 |
| Other financial assets | 8,841 | 28 | 8,869 | 30,853 | 22 | 30,875 |
| Inventories | 30,352 | - | 30,352 | 240 | - | 240 |
| Current tax assets | 60 | - | 60 | - | - | - |
| Other | - | - | - | - | - | - |
| | 76,228 | 28 | 76,256 | 52,523 | 22 | 52,545 |
| Non-current assets classified as held for sale | - | - | - | - | - | - |
| **Total current assets** | 76,228 | 28 | 76,256 | 52,523 | 22 | 52,545 |
| **Non-current assets** | | | | | | |
| Trade and other receivables | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| Investments accounted for under the equity method | 7,269 | - | 7,269 | - | - | - |
| Other financial assets | 7,612 | 312 | 7,924 | 68,450 | 106 | 68,556 |
| Property, plant & equipment | 134,461 | - | 134,461 | 505 | - | 505 |
| Investment properties | 132 | - | 132 | - | - | - |
| Deferred tax assets* | - | - | - | 44 | - | 44 |
| Goodwill | 24,060 | - | 24,060 | - | - | - |
| Other intangible assets | 11,325 | - | 11,325 | - | - | - |
| Other | - | - | - | - | - | - |
| **Total non-current assets** | 184,859 | 312 | 185,171 | 68,999 | 106 | 69,105 |
| **Total assets** | 261,087 | 340 | 261,427 | 121,522 | 128 | 121,650 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 15,990 | - | 15,990 | 2,269 | - | 2,269 |
| Borrowings | 37,500 | - | 37,500 | 23,855 | - | 23,855 |
| Other financial liabilities | - | - | - | - | - | - |
| Current tax payables | 5,868 | - | 5,868 | 4,643 | - | 4,643 |
| Provisions | 3,247 | - | 3,247 | 96 | - | 96 |
| Other | 95 | (5) | 90 | - | - | - |
| | 62,700 | (5) | 62,695 | 30,863 | - | 30,863 |
| Liabilities directly associated with non-current assets classified as held for sale | - | - | - | - | - | - |
| **Total current liabilities** | 62,700 | (5) | 62,695 | 30,863 | - | 30,863 |
| **Non-current liabilities** | | | | | | |
| Trade and other payables | - | - | - | - | - | - |
| Borrowings | 26,078 | - | 26,078 | 17,083 | - | 17,083 |
| Other financial liabilities | - | - | - | - | - | - |
| Deferred tax liabilities* | 3,693 | 102 | 3,795 | 7 | 38 | 45 |
| Provisions | 2,326 | - | 2,326 | 48 | - | 48 |
| Other | 270 | - | 270 | - | - | - |
| **Total non-current liabilities** | 32,367 | 102 | 32,469 | 17,138 | 38 | 17,176 |
| **Total liabilities** | 95,067 | 97 | 95,164 | 48,001 | 38 | 48,039 |
| **Net assets** | 166,020 | 243 | 166,263 | 73,521 | 90 | 73,611 |
| **Equity** | | | | | | |
| Share capital | 48,672 | - | 48,672 | 48,672 | - | 48,672 |
| Reserves | 2,545 | 214 | 2,759 | 1,146 | 74 | 1,220 |
| Retained earnings | 94,798 | 29 | 94,827 | 23,703 | 16 | 23,719 |
| | 146,015 | 243 | 146,258 | 73,521 | 90 | 73,611 |
| Equity directly associated with non-current assets classified as held for sale | - | - | - | - | - | - |
| Parent entity interest | 146,015 | 243 | 146,258 | 73,521 | 90 | 73,611 |
| Minority interest | 20,005 | - | 20,005 | - | - | - |
| **Total equity** | 166,020 | 243 | 166,263 | 73,521 | 90 | 73,611 |

* For the purposes of this reconciliation, deferred tax balances have been reflected on a gross basis.

**Source reference**

## 1. Summary of accounting policies (cont'd)

AASB1.43A

The following financial assets and financial liabilities were designated as fair value through profit or loss from 1 January 2005. These financial assets and financial liabilities were previously measured at cost:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | Fair value at 1/01/05 | Carrying amount at 31/12/04 | Fair value at 1/01/05 | Carrying amount at 31/12/04 |
| **Financial assets:** | | | | |
| Shares (note 8) | 1,923 | 1,889 | 610 | 595 |
| *[describe]* | - | - | - | - |
| | 1,923 | 1,889 | 610 | 595 |
| **Financial liabilities:** | | | | |
| *[describe]* | - | - | - | - |
| | - | - | - | - |

AASB1.43A

The following financial assets were designated as available-for-sale on adoption of AASB 139. These financial assets were previously measured at cost:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | Fair value at 1/01/05 | Carrying amount at 31/12/04 | Fair value at 1/01/05 | Carrying amount at 31/12/04 |
| Convertible notes (note 15) | 2,226 | 2,122 | 2,226 | 2,122 |
| Shares (note 15) | 3,900 | 3,832 | 32 | 30 |
| *[describe]* | - | - | - | - |
| | 6,126 | 5,954 | 2,258 | 2,152 |

AASB1.43A

An entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or as available-for-sale. The entity shall disclose the fair value of any financial assets or financial liabilities designated into each category and the classification and carrying amount in the previous financial statements.

AASB1.36A(c), AASB108.28(e)

The following transitional provisions have an effect on future periods:

(i) the separation of compound financial instruments for which the liability component is no longer outstanding into retained earnings and share capital components has not been performed

(ii) the effectiveness of hedging relationships are assessed from 1 January 2005; no adjustment is made in relation to hedges under the superseded policies which were not highly effective before 1 January 2005

(iii) *[list other transitional provisions as appropriate, for example, the transitional provisions in relation to 'day 1' gains and losses or to the derecognition of financial assets]*.

AASB1.36A(c)

The main adjustments necessary that would make the comparative financial statements comply with AASB 132 and AASB 139 are listed below. Similar adjustments were made at 1 January 2005 to restate the opening financial position of the company and consolidated entity to a position consistent with the accounting policies specified in note 1(a) to (ad):

(i) the measurement of financial assets designated as held-to-maturity and loans and receivables at amortised cost, rather than at cost or fair value in accordance with the superseded policy

(ii) the measurement of financial assets designated as fair value through profit or loss or available-for-sale at fair value, with changes in fair value recognised in profit or loss or equity as appropriate, rather than at cost in accordance with the superseded policy

(iii) the measurement of financial liabilities at amortised cost, rather than at cost in accordance with the superseded policy

Source reference

## 1. Summary of accounting policies (cont'd)

(iv) the recognition and measurement of all derivatives (including any embedded derivatives) at fair value

(v) the recognition in profit or loss of the movement in the fair value of derivatives which did not qualify for hedge accounting or were not designated as hedging instruments

(vi) the transfer of deferred hedging gains and losses recognised as assets and liabilities arising from a cash flow hedge of a forecast transaction to the hedging reserve

(vii) the derecognition of other deferred hedging gains and losses recognised as assets and liabilities

(viii) the deferral in equity of the effective portion of the movement in fair value of derivatives accounted for as a cash flow hedge

(ix) the recognition in profit or loss of the ineffective portion of the movement in fair value of hedging instruments accounted for as a cash flow hedge

(x) the recognition in profit or loss of the movement in fair value of derivatives accounted for as a fair value hedge and the fair valuing of hedged items

(xi) the adjustment to the carrying amount of items that would qualify as a fair value hedge under A-IFRS and were designated as a hedge under previous GAAP for the lower of the cumulative change in fair value of the hedged item for the designated hedge risk and the cumulative change in fair value of the hedging instrument

(xii) the recognition of any current or deferred taxes in relation to the adjustments described above

(xiii) *[list other adjustments as appropriate]*.

The adjustments listed above are not a complete list of all adjustments that may be necessary on adopting the accounting policies specified by AASB 132 and AASB 139, for example, entities that have previously held financial assets measured at fair value, with changes in fair value recognised as revaluation increments and revaluation decrements, shall disclose an appropriate adjustment.

AASB1.36A(c), AASB108.28(f)(i)

Where practicable, for the current period and for each prior period presented, the amount of the adjustment for each financial statement line item affected shall be disclosed. Where it is not practicable for entities to disclose these amounts, entities are encouraged to include a statement explaining why, for example:

AASB1.36A(c), AASB108.28(f)(i)

It is not practicable for the company and the consolidated entity to detail the amounts of the adjustments to profit or loss and to opening retained earnings for the comparative period had the new accounting policies been applied from the beginning of the comparative period. In addition, it is not practicable for the company and the consolidated entity to detail for the current period, the amounts of the adjustments resulting to each financial statement line item as a consequence of applying the accounting policies specified elsewhere in note 1.

Source reference

# 1. Summary of accounting policies (cont'd)

(af) Other changes in accounting policies

**Voluntary changes in accounting policies**

AASB108.29 When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

  i. for each financial statement line item affected; and

  ii. if Accounting Standard AASB 133 'Earnings per Share' applies to the entity, for basic and diluted earnings per share;

(d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(e) if retrospective application of the accounting policy is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

**Changes in accounting policy since the most recent interim financial report**

AASB134.Aus27.1 Where there is a change in an accounting policy during the final current interim period of the annual reporting period but a separate interim financial report is not published for that final current interim period, the nature of the change in accounting policy and the financial effect of the change on prior interim financial reports of the current annual reporting period shall be disclosed in the notes in the annual financial report for that annual reporting period.

AASB134.Aus27.2 If the entity does not prepare interim financial reports other than for the first half-year, the requirements above apply where there is a change in accounting policy between the first half-year reporting date and the annual reporting date.

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

(a) restating the financial statements of prior interim periods of the current annual reporting period and the comparable interim periods 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 prior interim periods of the current annual reporting period, and comparable interim periods of prior annual reporting periods to apply the new accounting policy prospectively from the earliest date practicable.

**Reclassification of financial assets**

AASB132.94(g) If, as a result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available, or because the 'two preceding annual reporting periods' have passed in relation to a financial asset that could previously not be classified as held-to-maturity, where an entity reclassifies a financial asset as one measured at cost or amortised cost rather than at fair value, it shall disclose the reason for the reclassification.

Source reference

# 1. Summary of accounting policies (cont'd)

**AASB Accounting Standards not yet effective**

AASB108.30 When an entity has not applied a new Accounting Standard that has been issued but is not yet effective, the entity shall disclose:

(a) this fact; and

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

AASB108.31 In complying with the requirements above, an entity considers disclosing:

(a) the title of the new Accounting Standard;

(b) the nature of the impending change or changes in accounting policy;

(c) the date by which application of the Accounting Standard is required;

(d) the date as at which it plans to apply the Accounting Standard initially; and

(e) either:

(i) a discussion of the impact that initial application of the Accounting Standard is expected to have on the entity's financial report; or

(ii) if that impact is not known or reasonably estimable, a statement to that effect.

The following disclosure is recommended where Accounting Standard AASB 119 'Employee Benefits' has not been early adopted:

Accounting Standard AASB 119 'Employee Benefits' (December 2004) has been issued by the AASB but has not been adopted by the consolidated entity as it is not effective until annual reporting periods beginning on or after 1 January 2006. The consolidated entity will adopt the revised Accounting Standard from 1 January 2006. Application of the revised Accounting Standard will have no impact on the consolidated entity's financial position and results in the period of initial application as the consolidated entity intends to maintain its policy for defined benefit plans as described in note x, as permitted by the new Standard.

# 2. Profit from operations

**(a) Revenue *(i)***

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | Revenue from continuing and discontinued operations consisted of the following items: | | | | |
| AASB118.35(b)(i) | Revenue from the sale of goods | 166,556 | 179,696 | 18,518 | 15,187 |
| AASB118.35(b)(ii) | Revenue from the rendering of services | 38,449 | 49,785 | - | - |
| | | 205,005 | 229,481 | 18,518 | 15,187 |
| | Rental revenue: | | | | |
| AASB117.47(e) | Finance lease contingent rental revenue | - | - | - | - |
| | Operating lease rental revenue: | - | - | - | - |
| AASB140.75(f)(i) | Investment properties | 18 | 14 | - | - |
| AASB117.56(b) | Contingent rental revenue | - | - | - | - |
| | Other | - | - | - | - |
| | | 18 | 14 | - | - |
| AASB118.35(b)(iii) | Interest revenue: | | | | |
| | Bank deposits | 1,650 | 750 | 908 | 310 |
| | Investments | 611 | 549 | 540 | 202 |
| AASB132.94(h)(iii) | Impaired financial assets | - | - | - | - |
| | Other | 54 | 5 | 1,800 | 1,235 |
| AASB132.94(h)(i) | | 2,315 | 1,304 | 3,248 | 1,747 |

**Source reference**

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **2. Profit from operations (cont'd)** | | | | |
| AASB118.35(b)(iv) | Royalties | 579 | 428 | - | - |
| AASB118.35(b)(v) | Dividends: | | | | |
| AASB124.17(a) | Subsidiaries | - | - | 8,895 | 10,914 |
| AASB124.17(a) | Associates | - | - | - | - |
| AASB124.17(a) | Other related parties | 23 | 23 | 23 | 23 |
| | Other entities | 133 | 131 | 27 | 24 |
| | | 156 | 154 | 8,945 | 10,961 |
| AASB111.39(a) | Construction contract revenue | 318 | 182 | - | - |
| | Other *(aggregate of immaterial items)* | 540 | 471 | 10 | 8 |
| | | 208,931 | 232,034 | 30,721 | 27,903 |
| | Attributable to: | | | | |
| | Continuing operations | 144,526 | 154,191 | 30,721 | 27,903 |
| | Discontinued operations | 64,405 | 77,843 | - | - |
| | | 208,931 | 232,034 | 30,721 | 27,903 |
| | **(b) Profit before income tax** Profit/(loss) before income tax has been arrived at after crediting/ (charging) the following gains and losses from continuing and discontinued operations *(ii)*: | | | | |
| AASB101.87(c) | Gain/(loss) on disposal of property, plant and equipment | 6 | 67 | 14 | (2) |
| AASB101.87(d) | Gain/(loss) on disposal of investments | 12 | - | 10 | - |
| | Gain/(loss) on sale of business | 1,820 | - | - | - |
| | | 1,838 | 67 | 24 | (2) |
| AASB120.39(b) | Government grants received for staff re-training *(iii)* | 1,726 | 979 | 193 | 33 |
| AASB121.52(a) | Net foreign exchange gains/(losses) | 144 | (68) | 12 | 8 |
| | Hedging gains/(losses) | 450 | - | - | - |
| | Change in fair value of financial assets classified as fair value through profit or loss | (25) | - | 23 | - |
| | Reversal of foreign currency translation reserve on disposal of subsidiary | 120 | - | - | - |
| | Other | 83 | 40 | - | - |
| | | 4,336 | 1,018 | 252 | 41 |
| | Gains attributable to: | | | | |
| | Continuing operations | 2,391 | 1,037 | 252 | 41 |
| | Discontinued operations | 1,970 | 49 | - | - |
| | | 4,361 | 1,086 | 252 | 41 |
| | Losses attributable to: | | | | |
| | Continuing operations | (25) | (68) | - | (2) |
| | Discontinued operations | - | - | - | - |
| | | (25) | (68) | - | (2) |
| | | 4,336 | 1,018 | 252 | 39 |

**Source reference**

## 2. Profit from operations (cont'd)

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | Profit/(loss) before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to both continuing operations and discontinued operations *(ii)*: | | | | |
| AASB102.36(d) | Cost of sales *(iv)* | (127,382) | (139,860) | (2,360) | (2,301) |
| AASB102.36(c) | Inventory: | | | | |
| AASB101.87(a) | Write-down of inventory to net realisable value | - | - | - | - |
| AASB101.87(a) | Reversal of write-down of inventory *(v)* | - | - | - | - |
| | | - | - | - | - |
| | Finance costs *(vi)*: | | | | |
| | Interest on loans | (3,874) | (6,186) | (1,655) | (1,653) |
| | Other interest expense | (1,315) | (1,156) | (334) | (130) |
| AASB132.94(h)(i) | Total interest expense | (5,189) | (7,342) | (1,989) | (1,783) |
| | Dividends on instruments classified as financial liabilities *(vii)* | (525) | - | (525) | - |
| | Other finance costs | (75) | (54) | - | - |
| | | (5,789) | (7,396) | (2,514) | (1,783) |
| AASB124.17(d) | Net bad and doubtful debts arising from: | | | | |
| | Key management personnel | - | - | - | - |
| | Parent entity | - | - | - | - |
| | Entities with joint control or significant influence over the entity | - | - | - | - |
| | Subsidiaries | - | - | - | - |
| | Associates | - | - | - | - |
| | Joint venture entities | - | - | - | - |
| | Former key management personnel | - | - | - | - |
| | Other related parties | - | - | - | - |
| | Other entities | - | - | - | - |
| | | - | - | - | - |
| AASB140.75(f)(ii), (iii) | Direct operating expenses of investment properties: | | | | |
| | Properties generating rental income | (4) | (3) | - | - |
| | Properties not yet generating rental income | - | - | - | - |
| | | (4) | (3) | - | - |
| AASB101.93 | Depreciation of non-current assets | (13,587) | (15,794) | (48) | (45) |
| AASB101.93 | Amortisation of non-current assets | (1,592) | (1,556) | - | - |
| | | (15,179) | (17,350) | (48) | (45) |
| AASB101.87(f) | Settlement of litigation | - | - | - | - |
| AASB138.126 | Research and development costs immediately expensed | (502) | (440) | - | - |

**Source reference**

## 2. Profit from operations (cont'd)

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB117.31(c) | Finance lease contingent rental expense | - | - | - | - |
| | Operating lease rental expenses: | | | | |
| AASB117.35(c) | Minimum lease payments | (2,008) | (2,092) | (52) | (50) |
| AASB117.35(c) | Contingent rentals | - | - | - | - |
| AASB117.35(c) | Sub-lease payments received | - | - | - | - |
| | | (2,008) | (2,092) | (52) | (50) |
| | Employee benefit expense: | | | | |
| | Post employment benefits: | | | | |
| AASB119.46 | Defined contribution plans | (160) | (148) | (25) | (30) |
| AASB119.120A(g) | Defined benefit plans | (361) | (330) | - | - |
| | | (521) | (478) | (25) | (30) |
| AASB2.50 | Share-based payments: | | | | |
| AASB2.51(a) | Equity settled share-based payments | (206) | (338) | (206) | (338) |
| | Cash settled share-based payments | - | - | - | - |
| AASB2.51(a) | | (206) | (338) | (206) | (338) |
| AASB119.142 | Termination benefits | - | - | - | - |
| | Other employee benefits | (13,651) | (14,623) | (4,837) | (4,583) |
| AASB101.93 | | (14,378) | (15,439) | (5,068) | (4,951) |

### (c) Revision of accounting estimates *(viii)*

AASB108.39

During the financial year the directors reassessed the useful life of certain items of plant and equipment. 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 financial year and for the next 4 years, by the following amounts:

| | $'000 *(ix)* |
|---|---|
| 2005 | 9 |
| 2006 | 7 |
| 2007 | 4 |
| 2008 | 2 |

AASB108.40

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

**Exchange of goods or services**

AASB118.35(c)

*(i)* The amount of revenue arising from exchanges of goods or services included in each significant category of revenue shall be separately disclosed.

**Disclosure of material items of income and expense**

AASB101.86

*(ii)* When items of income and expense are material, their nature and amount shall be disclosed separately.

**Government grants and government assistance**

AASB120.39(b), 39(c)

*(iii)* The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited, and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised, shall be disclosed.

Source reference

## 2. Profit from operations (cont'd)

### Cost of sales

AASB102.36(d) *(iv)* The financial report shall disclose the amount of inventories recognised as an expense during the period.

AASB102.38 The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has now been sold and unallocated production overheads and abnormal amounts of production costs of inventories. The circumstances of the entity may also warrant the inclusion of other amounts, such as distribution costs.

### Reversal of previous write-downs of inventory

AASB102.36(g) *(v)* The financial report shall disclose the circumstances or events that led to the reversal of a write-down of inventories arising from an increase in net realisable value.

### Finance costs

AASB123.4, 5 *(vi)* Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds and may include:

(a) interest on bank overdrafts and short-term and long-term borrowings
(b) amortisation of discounts or premiums relating to borrowings
(c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings
(d) finance charges in respect of finance leases recognised in accordance with AASB 117 'Leases'; and
(e) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

In addition to borrowing costs, other costs which may form part of finance costs include costs arising from the unwinding of the discount on liabilities and provisions.

### Presentation of dividends

AASB132.40 *(vii)* Dividends classified as an expense may be presented in the income statement either with interest on other liabilities or as a separate item. In some circumstances, because of the differences between interest and dividends with respect to matters such as tax deductibility, it is desirable to disclose them separately in the income statement.

### Changes in accounting estimates

AASB108.36 *(viii)* The effect of a change in an accounting estimate, shall be recognised prospectively by including it in profit or loss in:

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

AASB108.37 To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

AASB108.39 An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

AASB108.40 If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

**Source reference**

## 2. Profit from operations (cont'd)

### Change in depreciation charges

AASB116.76

*(ix)* An entity shall disclose the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:

(a) residual values;

(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;

(c) useful lives; and

(d) depreciation methods.

## 3. Income taxes

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **(a) Income tax recognised in profit or loss** | | | | |
| | **Tax expense/(income) comprises:** | | | | |
| AASB112.80(a) | Current tax expense/(income) | 13,878 | 14,773 | 5,991 | 5,537 |
| AASB112.80(b) | Adjustments recognised in the current year in relation to the current tax of prior years | - | - | - | - |
| AASB112.80(c) | Deferred tax expense/(income) relating to the origination and reversal of temporary differences | 588 | 26 | 187 | 10 |
| AASB112.80(d) | Effect of changes in tax rates and laws | - | - | - | - |
| | Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce: | | | | |
| AASB112.80(e) | - current tax expense | - | - | - | - |
| AASB112.80(f) | - deferred tax expense | - | - | - | - |
| AASB112.80(g) | Write-downs (reversals of previous write-downs) of deferred tax assets | - | - | - | - |
| AASB112.80(h) | Tax expense/(income) associated with changes in accounting policies that cannot be accounted for retrospectively | - | - | - | - |
| | Total tax expense/(income) | 14,466 | 14,799 | 6,178 | 5,547 |
| | **Attributable to:** | | | | |
| | Continuing operations | 11,306 | 11,801 | 6,178 | 5,547 |
| | Discontinued operations (note 55) | 3,160 | 2,998 | - | - |
| | | 14,466 | 14,799 | 6,178 | 5,547 |

Source reference

## 3. Income taxes (cont'd)

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB112.81(c) | The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows: | | | | |
| | Profit from continuing operations | 29,548 | 32,138 | 20,069 | 17,973 |
| | Profit from discontinued operations (note 55) | 11,470 | 12,993 | - | - |
| | Profit from operations | 41,018 | 45,131 | 20,069 | 17,973 |
| | Income tax expense calculated at 30% | 12,306 | 13,539 | 6,021 | 5,392 |
| | Donations | 117 | 117 | 97 | 20 |
| | Non-deductible expenses | 948 | 1,143 | 145 | 135 |
| | Impact of adopting tax consolidation during the prior period | - | - | - | - |
| | Unused tax losses and tax offsets not recognised as deferred tax assets | - | - | - | - |
| | Previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets | - | - | - | - |
| | Other | 1,095 | - | (85) | - |
| AASB112.81(d) | Effect on deferred tax balances due to the change in income tax rate from xx% to xx% (effective *[insert date]*) | - | - | - | - |
| | | 14,466 | 14,799 | 6,178 | 5,547 |
| AASB112.80(b) | (Over)/under provision of income tax in previous year | - | - | - | - |
| | | 14,466 | 14,799 | 6,178 | 5,547 |

Where the entity is subject to a number of different tax rates in the different jurisdictions in which it operates, the above disclosures may need to be expanded to highlight the various rates applicable to the entity, particularly where the effect on aggregate income tax expense is material.

AASB112.81(c) The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

AASB112.81(d) Where there is a change in the applicable tax rate(s) compared to the previous reporting period, and explanation must be given. The following example can be adapted as necessary:
"The corporate tax rate in Australia was changed from *[x]*% to *[y]*% with effect from *[date]*. This revised rate has not impacted the current tax payable for the current year but will do so in future periods. However, the impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period."

### (b) Income tax recognised directly in equity

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB112.81(a) | The following current and deferred amounts were charged directly to equity during the period: | | | | |
| | Current tax: | | | | |
| | Share-issue expenses | (2) | - | (2) | - |
| | Share buy-back expenses | (83) | - | (83) | - |

**Source reference**

## 3. Income taxes (cont'd)

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| Deferred tax: | | | | |
| Property revaluations | - | 493 | - | 1 |
| Translation of foreign operations | 24 | 107 | - | - |
| Revaluations of financial instruments treated as cash flow hedges | 357 | - | - | - |
| Revaluations of available-for-sale securities | 28 | - | (7) | - |
| Equity accounting adjustments | - | - | - | - |
| Actuarial movements on defined benefit plans | (2) | 7 | - | - |
| Share issue expenses deductible over 5 years | - | - | - | - |
| Compound financial instruments | 242 | - | 242 | - |
| Adjustments to opening retained earnings associated with changes in accounting policies for financial instruments | 102 | - | 38 | - |
| Other *[describe]* | (28) | - | - | - |
| | 638 | 607 | 188 | 1 |

### (c) Current tax assets and liabilities

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| **Current tax assets:** | | | | |
| Franking deficit tax recoverable | 85 | 60 | - | - |
| Tax refund receivable | - | - | - | - |
| Other *[describe]* | - | - | - | - |
| | 85 | 60 | - | - |
| **Current tax payables:** | | | | |
| Income tax payable attributable to: | | | | |
| Parent entity | 1,022 | 1,015 | 1,022 | 1,015 |
| Entities in the tax-consolidated group | 3,602 | 3,628 | 3,602 | 3,628 |
| Other | 509 | 1,225 | - | - |
| Franking deficit tax payable | - | - | - | - |
| Other *[describe]* | - | - | - | - |
| | 5,133 | 5,868 | 4,624 | 4,643 |

### (d) Deferred tax balances

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| **Deferred tax assets comprise:** | | | | |
| Tax losses – revenue | - | - | - | - |
| Tax losses – capital | - | - | - | - |
| Foreign tax credits | - | - | - | - |
| Temporary differences | - | - | - | 37 |
| Other *[describe]* | - | - | - | - |
| | - | - | - | 37 |
| **Deferred tax liabilities comprise:** | | | | |
| AASB112.81(g) Temporary differences | 4,591 | 3,693 | 423 | - |
| | 4,591 | 3,693 | 423 | - |

Source reference

## 3. Income taxes (cont'd)

Taxable and deductible temporary differences arise from the following:

The following illustrative disclosure is considered 'best practice' and in some respects has disclosures in excess of those required by Accounting Standard AASB 112 'Income Taxes'. The only requirements for a breakdown by type of temporary difference, i.e. the first column, are the opening and closing balances, and the amount charged to income. The other columns could be amalgamated or excluded so long as the other disclosures required by AASB 112 are made elsewhere in the financial statements in aggregate.

AASB112.81(a), 81(g)

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| 2005 | Opening balance $'000 | Charged to income $'000 | Charged to equity $'000 | Acquisitions/ disposals $'000 | Exchange differences $'000 | Changes in tax rate $'000 | Closing balance $'000 |
| **Gross deferred tax liabilities:** | | | | | | | |
| Cash flow hedges | (112) | - | (380) | - | - | - | (492) |
| Investment in associates | (1,268) | (354) | - | - | - | - | (1,622) |
| Property, plant & equipment | (966) | (1,709) | - | 1,176 | - | - | (1,499) |
| Intangible assets | (3,398) | 476 | - | - | - | - | (2,922) |
| Fair value through profit or loss financial assets | (12) | 8 | - | - | - | - | (4) |
| Available-for-sale financial assets | (52) | - | (28) | - | - | - | (80) |
| Convertible notes | - | - | (242) | - | - | - | (242) |
| Other | (110) | (115) | (13) | - | - | - | (238) |
| | (5,918) | (1,694) | (663) | 1,176 | - | - | (7,099) |
| **Gross deferred tax assets:** | | | | | | | |
| Provisions | 1,672 | 40 | 2 | - | - | - | 1,714 |
| Doubtful debts & impairment losses | 251 | (16) | - | 4 | - | - | 239 |
| Foreign currency monetary items | 198 | (99) | - | - | - | - | 99 |
| Cash flow hedges | - | - | 23 | - | - | - | 23 |
| Fair value hedges | - | 1 | - | - | - | - | 1 |
| Other | 2 | - | - | - | - | - | 2 |
| | 2,123 | (74) | 25 | 4 | - | - | 2,078 |
| | (3,795) | (1,768) | (638) | 1,180 | - | - | (5,021) |
| **Attributable to:** | | | | | | | |
| Continuing operations | | | | | | | (4,591) |
| Discontinued operations | | | | | | | (430) |
| | | | | | | | (5,021) |

Source reference

## 3. Income taxes (cont'd)

AASB112.81(a), 81(g)

| 2004 | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Opening balance $'000 | Charged to income $'000 | Charged to equity $'000 | Acquisi-tions/ disposals $'000 | Exchange differen-ces $'000 | Changes in tax rate $'000 | Closing balance $'000 |
| **Gross deferred tax liabilities:** | | | | | | | |
| Hedging instruments | - | (74) | - | - | - | - | (74) |
| Investments in associates | (791) | (477) | - | - | - | - | (1,268) |
| Property, plant & equipment | (492) | 19 | (493) | - | - | - | (966) |
| Intangible assets | (3,757) | 359 | - | - | - | - | (3,398) |
| Other | - | (3) | (107) | - | - | - | (110) |
| | (5,040) | (176) | (600) | - | - | - | (5,816) |
| **Gross deferred tax assets:** | | | | | | | |
| Provisions | 1,750 | (71) | (7) | - | - | - | 1,672 |
| Doubtful debts & impairment losses | 122 | 129 | - | - | - | - | 251 |
| Foreign currency monetary items | 108 | 90 | - | - | - | - | 198 |
| Other | - | 2 | - | - | - | - | 2 |
| | 1,980 | 150 | (7) | - | - | - | 2,123 |
| | (3,060) | (26) | (607) | - | - | - | (3,693) |

AASB112.81(a), 81(g)

| 2005 | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Opening balance $'000 | Charged to income $'000 | Charged to equity $'000 | Acquisi-tions/ disposals $'000 | Exchange differen-ces $'000 | Changes in tax rate $'000 | Closing balance $'000 |
| **Gross deferred tax liabilities:** | | | | | | | |
| Property, plant & equipment | (7) | 1 | - | - | - | - | (6) |
| Fair value through profit or loss financial assets | (6) | (7) | - | - | - | - | (13) |
| Available-for-sale financial assets | (32) | - | 7 | - | - | - | (25) |
| Convertible notes | - | - | (242) | - | - | - | (242) |
| Other | - | (179) | - | - | - | - | (179) |
| | (45) | (185) | (235) | - | - | - | (465) |
| **Gross deferred tax assets:** | | | | | | | |
| Provisions | 43 | (3) | - | - | - | - | 40 |
| Doubtful debts & impairment losses | 1 | 1 | - | - | - | - | 2 |
| Other | - | - | - | - | - | - | - |
| | 44 | (2) | - | - | - | - | 42 |
| | (1) | (187) | (235) | - | - | - | (423) |

Source reference

## 3. Income taxes (cont'd)

AASB112.81(a), 81(g)

| 2004 | Company Opening balance $'000 | Charged to income $'000 | Charged to equity $'000 | Acquisi-tions/ disposals $'000 | Exchange differen-ces $'000 | Changes in tax rate $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|---|
| **Gross deferred tax liabilities:** | | | | | | | |
| Property, plant & equipment | (7) | 1 | (1) | - | - | - | (7) |
| Other | - | - | - | - | - | - | - |
| | (7) | 1 | (1) | - | - | - | (7) |
| **Gross deferred tax assets:** | | | | | | | |
| Provisions | 52 | (9) | - | - | - | - | 43 |
| Doubtful debts & impairment losses | 3 | (2) | - | - | - | - | 1 |
| Other | - | - | - | - | - | - | - |
| | 55 | (11) | - | - | - | - | 44 |
| | 48 | (10) | (1) | - | - | - | 37 |

AASB112.81(e)

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| **Unrecognised deferred tax balances** | | | | |
| The following deferred tax assets have not been brought to account as assets: | | | | |
| Tax losses – revenue | 11 | 11 | 2 | - |
| Tax losses – capital | - | - | - | - |
| Unused tax credits (expires *[date]*) | | | | |
| Temporary differences | - | - | - | - |
| | 11 | 11 | 2 | - |

### Tax consolidation

**Relevance of tax consolidation to the consolidated entity**

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is DTT Consolidated Limited. The members of the tax-consolidated group are identified at note 52.

Where the decision to tax consolidate has not been notified to the Australian Taxation Office, the following wording should also be included: "The decision to consolidate for tax purposes has not yet been formally notified to the Australian Taxation Office."

**Nature of tax funding arrangements and tax sharing agreements**

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, DTT Consolidated Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

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

Source reference

## 3. Income taxes (cont'd)

**Tax consolidation contributions by (or distributions to) equity participants**

Draft UIG Interpretation 1052 'Tax Consolidation Accounting' (as revised in early March 2005) requires that differences between the current tax liability (or asset) and the amount of any funding amount arising under a tax funding arrangement be treated as contribution by (or distribution to) equity participants. The draft Interpretation does not specify which accounts are affected but disclosure is required of the net amount recognised for the period under tax consolidation contributions by (or distributions to) equity participants, its major components and the accounts affected.

Tax consolidation contributions by (or distributions to) equity participants would ordinarily only impact the equity balances of subsidiaries in a tax-consolidated group, not the head entity. In the head entity, the carrying amount of investments in subsidiaries will be increased by tax consolidation contributions and will be reduced by tax-consolidation distributions, unless the distributions are post-acquisitions and so recognised as income. All impacts would be fully eliminated on consolidation.

In the example above, the nature of the tax funding arrangement is such that no tax consolidation contributions by (or distributions to) equity participants would be expected to arise. However, this will not always be the case and the following example shall be adapted to suit the circumstances of the entity:

The net amount recognised for the period under tax consolidation contributions by (or distributions to) equity participants, its major components and the accounts affected are as follows:

| | Company | |
|---|---|---|
| | 2005 $'000 | 2004 $'000 |
| **Major components of tax consolidation contributions by (or distributions to) equity participants** | | |
| Net assumptions of tax liabilities of members of the tax-consolidated group | - | - |
| Excess of tax funding contributions over tax liabilities assumed | - | - |
| Assumptions of unused tax losses and tax offsets of members of the tax-consolidated group at other than full consideration | - | - |
| Amounts payable to and receivable from entities joining or leaving the tax-consolidated group under tax sharing and tax funding arrangements | - | - |
| *[describe other impacts]* | - | - |
| **Net amount recognised** | - | - |
| **Accounts affected*** | | |
| Dividend income | - | - |
| Investments in subsidiaries | - | - |
| Share capital* | - | - |
| Reserves* | | |
| *[describe]* | - | - |
| Retained earnings | | |
| *[describe]* | - | - |
| **Net amount (as above)** | - | - |

* likely to only be relevant in the separate financial statements of subsidiaries.

At the time of finalisation of this publication, draft UIG Interpretation 1052 'Tax Consolidation Accounting' had not yet been agreed by the Urgent Issues Group.

Source reference

## 4. Key management personnel remuneration

### Revision of AASB 1046

At the time of finalisation of these models, the AASB had not yet finalised a revised Accounting Standard AASB 1046 'Director and Executive Disclosures by Disclosing Entities' for financial years ending on or after 31 December 2005. The following note disclosure has been drafted to illustrate the requirements of the existing AASB 1046, as amended by Accounting Standard AASB 1046A 'Amendments to Accounting Standard AASB 1046', which continues to apply in the absence of further revisions by the AASB. For more recent developments concerning revisions to the Accounting Standard, contact your nearest Deloitte Touche Tohmatsu office.

AASB124.Aus16.1, AASB1046.4.2, 4.3(a)

The specified directors of DTT Consolidated Limited during the year were:

- C.J. Chambers (Chairman, non-executive)
- P.H. Taylor (Chief Executive Officer)
- A.K. Black (Chief Operations Officer)
- F.R. Ridley (Non-executive)
- B.M. Stavrinidis (Non-executive)
- W.K. Flinders (Non-executive), resigned 20 January 2005
- S.M. Saunders (Non-executive), appointed 1 February 2005 and resigned 30 January 2006
- L.A. Lochert (Non-executive), appointed 30 January 2005 and resigned 1 July 2005

AASB1046.4.2, 4.3(b)

The specified executives of DTT Consolidated Limited during the year were:

- W.L. Lee (Chief Financial Officer)
- L.J. Jackson (Chief Marketing Officer)
- C.P. Daniels (General Manager –Widgets division), resigned 3 January 2006
- N.W. Wright (General Manager – Construction division), resigned 30 December 2005
- T.L. Smith (General Manager – Bicycles and Toys divisions), appointed 1 January 2005

### (a) Key management personnel remuneration

AASB1046.7.5(a), (b)

The remuneration committee reviews the remuneration packages of all specified directors and specified executives on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the company.

**Specified directors' remuneration**

AASB1046.5.2, 7.1, 7.2

| | Primary | | | Post-employment | | | Equity* | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Bonus | Non-monetary | Super-annuation | Pre-scribed benefits | Other | Options | benefits* | |
| 2005 | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| C.J. Chambers | 66,000 | - | 28,050 | - | - | - | - | 1,250 | 95,300 |
| P.H. Taylor (i) | 267,000 | - | 66,280 | 24,030 | - | - | 105,600 | 1,240 | 464,150 |
| A.K. Black | 201,835 | - | 43,930 | 18,165 | - | - | - | 820 | 264,750 |
| F.R. Ridley | 65,000 | - | 25,091 | - | - | - | - | 854 | 90,945 |
| B.M. Stavrinidis | 65,000 | - | 26,800 | - | - | - | - | 685 | 92,485 |
| W.K. Flinders | 4,000 | - | 800 | - | - | - | - | 200 | 5,000 |
| S.M. Saunders | 75,000 | - | 15,159 | - | - | - | - | 689 | 90,848 |
| L.A. Lochert | 35,000 | - | 4,494 | - | - | - | - | 256 | 39,750 |
| **Total** | 778,835 | - | 210,604 | 42,195 | - | - | 105,600 | 5,994 | 1,143,228 |

Source reference

## 4. Key management personnel remuneration (cont'd)

AASB1046.5.2, 7.1, 7.2

| 2004 | Primary Salary & fees $ | Primary Bonus $ | Primary Non-monetary $ | Post-employment Super-annuation $ | Post-employment Pre-scribed benefits $ | Post-employment Other $ | Equity* Options $ | Other benefits* $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| C.J. Chambers | 65,125 | - | 25,400 | - | - | - | - | 1,125 | 91,650 |
| P.H. Taylor (iii) | 250,000 | - | 53,800 | 22,500 | - | - | 57,500 | 1,125 | 384,925 |
| A.K. Black | 191,651 | - | 35,801 | 17,249 | - | - | - | 800 | 245,501 |
| F.R. Ridley | 62,000 | - | 23,162 | - | - | - | - | 850 | 86,012 |
| B.M. Stavrinidis | 62,000 | - | 24,350 | - | - | - | - | 670 | 87,020 |
| W.K. Flinders | 62,000 | - | 24,350 | - | - | - | - | 680 | 87,030 |
| O.H. Brien | 36,750 | - | 20,120 | - | - | - | - | 312 | 57,182 |
| **Total** | 729,526 | - | 206,983 | 39,749 | - | - | 57,500 | 5,562 | 1,039,320 |

*Further components shall be disclosed where relevant.

**Specified executives' remuneration**

AASB1046.5.2, 7.1, 7.2

| 2005 | Primary Salary & fees $ | Primary Bonus $ | Primary Non-monetary $ | Post-employment Super-annuation $ | Post-employment Pre-scribed benefits $ | Post-employment Other $ | Equity* Options $ | Other benefits* $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| W.L. Lee (i), (ii) | 92,500 | 10,000 | 6,796 | 8,325 | - | - | 7,500 | - | 125,121 |
| L.J. Jackson (i) | 92,500 | - | 16,481 | 8,325 | - | - | 7,500 | - | 124,806 |
| C.P. Daniels (i) | 85,500 | - | 14,805 | 7,695 | - | - | 5,000 | - | 113,000 |
| N.W. Wright(i) | 84,000 | - | 12,761 | 7,560 | - | - | 5,000 | - | 109,321 |
| T.L. Smith (i) | 81,000 | - | 4,734 | 7,290 | - | - | 8,663 | - | 101,687 |
| Total | 435,500 | 10,000 | 55,577 | 39,195 | - | - | 33,663 | - | 573,935 |

AASB1046.5.2, 7.1, 7.2

| 2004 | Primary Salary & fees $ | Primary Bonus $ | Primary Non-monetary $ | Post-employment Super-annuation $ | Post-employment Pre-scribed benefits $ | Post-employment Other $ | Equity* Options $ | Other benefits* $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| W.L. Lee | 86,250 | - | 5,980 | 7,763 | - | - | - | - | 99,993 |
| L.J. Jackson | 86,250 | - | 14,503 | 7,763 | - | - | - | - | 108,516 |
| C.P. Daniels | 79,000 | - | 13,028 | 7,110 | - | - | - | - | 99,138 |
| N.W. Wright | 78,325 | - | 11,230 | 7,049 | - | - | - | - | 96,604 |
| E.P. Hart | 79,375 | - | 12,500 | 7,144 | - | - | - | - | 99,019 |
| **Total** | 409,200 | - | 57,241 | 36,829 | - | - | - | - | 503,270 |

*Further components shall be disclosed where relevant.

AASB1046.7.5(d)

(i) Mr T. L. Smith was granted executive share options under the executive share option plan on 30 September 2005. Mr P.H. Taylor and other executives were granted share options on 31 March 2005. Further details of the options are contained in notes 5 and 56 to the financial statements.

(ii) Mr W.L. Lee was granted a cash bonus of $10,000 on 12 December 2005. The bonus was given, on successful acquisition by the consolidated entity, for his identification of the distribution business of Minus Pty Limited as an advantageous investment opportunity earlier in the reporting period.

(iii) Mr P.H. Taylor was granted executive share options under the executive share option plan on 31 March 2004. Further details of the options granted are contained in notes 5 and 56 to the financial statements.

Entities are encouraged to draw users' attention to comparative equity compensation amounts forming part of remuneration where these have been restated as a consequence of applying the new measurement requirements in AASB 1046A to determine the fair value of the share-based payment granted.

Source reference

## 4. Key management personnel remuneration (cont'd)

### (b) Contracts for services

AASB1046.7.5(c) For each contract for services between a specified director or specified executive and the disclosing entity (or any of its subsidiaries), the financial report shall include such explanations as are necessary, in addition to disclosures regarding bonuses and share-based compensation benefits as specified by AASB 1046.7.5(d), to provide an understanding of how the amount of remuneration in the current reporting period was determined and how the terms of the contract affect remuneration in future periods.

**Comparative information**

AASB1046.11.1.1 When disclosure is required of the remuneration of a specified person in the reporting period and that person was also specified in the preceding period, then disclosure is required of the comparative remuneration of that person. In respect of a person subject to the detailed remuneration disclosures of the Standard for the first time, it is not necessary to provide comparative information.

AASB1046.11.1.3 In respect of the disclosures of aggregates for groups of individuals, comparative information is required to be disclosed in the financial report except for the first financial report to which AASB 1046 applies. For example, an entity is required to include in the current reporting period's financial report the total aggregate remuneration for specified executives that was disclosed in the preceding annual financial report, even when the persons specified in the current period differ from the prior period and comparative information is not required for any individual specified in this period. If a reporting entity became a disclosing entity during the reporting period, it would not be necessary to provide comparative information for the preceding reporting period in respect of the remuneration of specified directors or specified executives on either an individual or aggregate basis.

AASB1046A3.1(a) Entities are permitted to recalculate and restate the amount of equity compensation with market conditions included in comparative remuneration disclosures to the amount that would have been determined if the fair value of that equity compensation had previously been estimated including the market condition.

**Changes in appointments after balance date**

AASB1046.4.3 If any of the following changes occur in the period after the reporting date and prior to the date of signing the Directors' Declaration of the financial report, the name, position and date for each individual involved shall be disclosed for:

(a) each change in the chief executive officer and directors of the disclosing entity; and

(b) the retirement of a specified executive.

AASB1046.4.3.1 Appointment in the period following the reporting date would not cause a director or executive to be specified in the reporting period or included in the other disclosures required by AASB 1046. Resignation or other retirement after the reporting date does not affect an individual's classification in the current period.

**The meaning of 'remuneration'**

AASB1046.5.1 'Remuneration', in relation to a specified director or specified executive of a disclosing entity, means any money, consideration or benefit paid, payable, provided or otherwise made available, directly or indirectly, to directors or executives (including personally-related entities) by the disclosing entity or any related party in connection with the management of the affairs of the entity and its subsidiaries, and

(a) includes, but is not limited to, salaries, bonuses, fees, commissions, expense allowances, perquisites, personal benefits, equity instruments and post-employment benefits; but

(b) excludes reimbursement for expenses incurred for the benefit of the entity or any of its subsidiaries.

The meaning of remuneration, as given by AASB 1046 includes remuneration to non-resident directors and prescribed retirement benefits.

AASB1046.7.3 Where a specified individual has been employed by the entity for part of the reporting period when neither a director nor an executive, remuneration received in the capacity of employee is not included in the remuneration required to be disclosed.

Source reference

## 4. Key management personnel remuneration (cont'd)

AASB1046.7.4 Where a specified director has been a director of the disclosing entity for part of the reporting period and an executive of the disclosing entity or any of its subsidiaries for some other part of the reporting period, all remuneration from these entities during the reporting period shall be disclosed as that director's remuneration, separately identifying the amount of remuneration attributable to the part of the reporting period during which the executive was a director.

### Components of remuneration

AASB1046.5.2 The aggregate amount of remuneration of specified directors and specified executives shall be disaggregated to disclose at least the following components, grouped into four categories:

(a) primary benefits, but excluding any benefits disclosed as post-employment benefits or equity compensation under paragraph (b) or (c). Amounts in this category (including any deferred amounts and regardless of when the amount is paid) shall be divided into at least the following components:
   (i) cash salary, fees and commissions;
   (ii) cash profit-sharing and other bonuses, separately identifying amounts attributable to long-term incentive plans; and
   (iii) non-monetary benefits;

(b) post-employment benefits, including retirement benefits and contributions by, or changes in the liability of, the entity to pension or superannuation plans and other arrangements to benefit employees following cessation of employment. Amounts in this category shall be divided into at least the following components:
   (i) pension and superannuation benefits;
   (ii) prescribed benefits (being post-employment benefits that are required by the Corporations Act 2001 to be approved by members); and
   (iii) other post-employment benefits;

(c) equity compensation. Amounts in this category shall be divided into at least the following components:
   (i) the value of shares and units;
   (ii) the value of options and rights;
   (iii) if the terms of vested options or rights have been altered during the reporting period, the increase in value, being the difference between the total of the fair value of the options or rights affected by the alteration immediately before the alteration and the total of the fair value of those options or rights immediately after the alteration;
   (iv) the value of other equity compensation; and

(d) other compensation benefits not disclosed in one of the categories above. Amounts in this category shall be divided into at least the following components:
   (i) termination benefits;
   (ii) prescribed benefits (being benefits that are required by the Corporations Act 2001 to be approved by members and are not post-employment benefits); and
   (iii) all other benefits, separately identifying significant items.

### Grants of cash bonuses, performance-related bonuses and share-based payment compensation benefits

AASB1046.7.5(d) For each grant of a cash bonus, performance-related bonus or share-based payment compensation benefit, whether part of a specific contract for services or not, the financial report shall disclose the terms and conditions of each grant affecting remuneration in this or future reporting periods, including:

(a) the grant date;
(b) the nature of the remuneration granted;
(c) the service and performance criteria used to determine the amount of remuneration; and
(d) if there has been any alteration of the terms or conditions of the grant since the grant date, the date, details and effect of each alteration.

Source reference

## 4. Key management personnel remuneration (cont'd)

### Alteration of terms of options or rights

AASB1046.7.6 Where the terms of options or rights provided as remuneration to a specified director or specified executive have been altered by the issuing entity during the reporting period, the following details shall be disclosed for each specified person:

(a) the date of each alteration of the terms;
(b) the market price of the underlying equity instrument at the date of alteration;
(c) the terms of the option or right immediately prior to alteration, including the number and class of the underlying equity instruments, exercise price, time remaining until expiry and each other condition in the terms affecting the exercise of the option or right;
(d) the new terms; and
(e) the difference between the total of the fair value of the options or rights affected by the alteration immediately before the alteration and the total of the fair value of those options or rights immediately after the alteration.

AASB1046.7.6.4 When a specified director or specified executive leaves the entity earlier than expected and this results in premature vesting of equity compensation, this constitutes an alteration of terms in accordance with AASB1046.7.6, affecting those equity instruments that would not otherwise have yet vested. Any balance of the grant that remains to be allocated is included as remuneration of that person in that period.

### Fair value of equity compensation

AASB1046A Appendix 6 In cases of grants of options to a specified individual, AASB 1046 does not permit vesting conditions to be taken into account in determining the fair value of equity compensation. AASB 1046A amends this by requiring market conditions to be taken into account in determining the fair value of equity compensation.

AASB1046A.3.1(b) A 'market condition' means a condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity's equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity's equity instruments relative to an index of market prices of equity instruments of other entities.

AASB1046A Appendix 6 The fair value of equity compensation is not subsequently revised for any changes in the probability of the market condition(s) being satisfied, and is allocated proportionately to reporting periods between grant date and vesting date. Accordingly, if all other vesting conditions other than the market conditions are satisfied, an amount is allocated as remuneration in that reporting period. No revision is made to the pro rata amount of remuneration on vesting date where a grant fails to vest as a result of only failing a market condition.

### Non-disclosing entities

AASB124.16, Aus16.1 Non-disclosing entities shall disclose the names of the specified directors for the reporting period and, where a director has not occupied this position for the entire period, the date of appointment or resignation as appropriate. Non-disclosing entities shall also make the following disclosures of key management personnel compensation in place of the remuneration disclosures illustrated above. 'Key management personnel' comprises the specified directors and specified executives of the consolidated entity.

The compensation of the specified directors and specified executives, being the key management personnel of the consolidated entity, is set out below:

| | Consolidated | |
|---|---|---|
| | 2005 $ | 2004 $ |
| Short-term employee benefits | 1,413,570 | 1,329,945 |
| Post-employment benefits | 81,390 | 76,578 |
| Other long-term employee benefits | 82,940 | 78,567 |
| Termination benefits | - | - |
| Share-based payment | 139,263 | 57,500 |
| | 1,717,163 | 1,542,590 |

Source reference

## 4. Key management personnel remuneration (cont'd)

AASB124.9

'Compensation' includes all employee benefits including share-based payments. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;

(d) termination benefits; and

(e) share-based payment.

## 5. Executive share option plan

AASB2.44, 46, 50, 52

An entity shall disclose information that enables users of the financial report to understand the nature and extent of share-based payment arrangements that existed during the period, how the fair value of the goods and services received or equity instruments granted during the period were determined, and the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position. Where the specific disclosures required by AASB 2 'Share-based Payment' does not satisfy these principles, an entity shall disclose such additional information as is necessary to satisfy them.

AASB2.45(a), AASB1046.7.5(d)(iii), 8.2(b)(iii), 8.2(b)(v), 8.2(b)(vi), 8.3(b), 8.3(c)

The consolidated entity has an ownership-based remuneration scheme for executives (including executive directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives with more than five years service with the company may be granted options to purchase parcels of ordinary shares at an exercise price of $1.00 per ordinary share.

Each executive share option converts into one ordinary share of DTT Consolidated Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance based formula approved by shareholders at a previous annual general meeting and is subject to approval by the Remuneration Committee. The formula rewards executives against the extent of the company's and individual's achievement against both qualitative and quantitative criteria from the following financial and customer service measures:

- improvement in share price
- improvement in net profit
- improvement in return to shareholders
- warranty claims
- client satisfaction surveys
- rate of staff turnover

The options granted expire within twelve months of their issue, or one month of the resignation of the executive, whichever is the earlier.

AASB2.44, 45(a), AASB1046.8.2(b)(i), 8.2(b)(ii), 8.2(b)(iv)

The following share-based payment arrangements were in existence during the period:

| Options series | Number | Grant date | Expiry date | Exercise price $ | Fair value at grant date $ |
|---|---|---|---|---|---|
| (1) Issued 31 March 2004 (*) | 140,000 | 31/03/04 | 31/03/05 | 1.00 | 1.15 |
| (2) Issued 30 September 2004 (*) | 150,000 | 30/09/04 | 30/09/05 | 1.00 | 1.18 |
| (3) Issued 31 March 2005 (*) | 160,000 | 31/03/05 | 31/03/06 | 1.00 | 1.20 |
| (4) Issued 30 September 2005 (**) | 60,000 | 30/09/05 | 30/09/06 | 1.00 | 1.05 |

Source reference

## 5. Executive share option plan (cont'd)

(*) In accordance with the terms of the share-based arrangement, options issued during the financial year ended 31 December 2004, and on 31 March 2005, vest at the date of their issue.

(**) In accordance with the terms of the share-based arrangement, options issued on 30 September 2005 will vest when the share price of DTT Consolidated Limited, as quoted on the Australian Stock Exchange, exceeds $4.00.

AASB2.46, 47(a) The weighted average fair value of the share options granted during the financial year is $1.16 (2004: $1.17). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that employees would exercise the options after vesting date when the share price was two and a half times the exercise price.

| | Option series | | | |
|---|---|---|---|---|
| **Inputs into the model** | **Series 1** | **Series 2** | **Series 3** | **Series 4** |
| Grant date share price | 2.64 | 2.67 | 2.69 | 2.53 |
| Exercise price | 1.00 | 1.00 | 1.00 | 1.00 |
| Expected volatility | 15.20% | 15.40% | 13.10% | 13.50% |
| Option life | 1 year | 1 year | 1 year | 1 year |
| Dividend yield | 13.27% | 13.12% | 13.00% | 13.81% |
| Risk-free interest rate | 5.13% | 5.14% | 5.50% | 5.45% |
| Other *[describe]* | - | - | - | - |

The following reconciles the outstanding share options granted under the executive share option plan at the beginning and end of the financial year:

| | | 2005 | | 2004 | |
|---|---|---|---|---|---|
| | | Number of options | Weighted average exercise price $ | Number of options | Weighted average exercise price $ |
| AASB2.45(b)(i) | Balance at beginning of the financial year | 290,000 | 1.00 | - | - |
| AASB2.45(b)(ii) | Granted during the financial year | 220,000 | 1.00 | 290,000 | 1.00 |
| AASB2.45(b)(iii) | Forfeited during the financial year | - | - | - | - |
| AASB2.45(b)(iv) | Exercised during the financial year (i) | (314,000) | 1.00 | - | - |
| AASB2.45(b)(v) | Expired during the financial year | - | - | - | - |
| AASB2.45(b)(vi) | Balance at end of the financial year (ii) | 196,000 | 1.00 | 290,000 | 1.00 |
| AASB2.45(b)(vii) | Exercisable at end of the financial year | 136,000 | 1.00 | 290,000 | 1.00 |

**(i) Exercised during the financial year**

AASB2.45(c) The following share options granted under the executive share option plan were exercised during the financial year:

| 2005 Options series | Number exercised | Exercise date | Share price at exercise date $ |
|---|---|---|---|
| (1) Issued 31 March 2004 | 30,000 | 05/01/05 | 2.50 |
| (1) Issued 31 March 2004 | 45,000 | 31/01/05 | 2.25 |
| (1) Issued 31 March 2004 | 65,000 | 15/03/05 | 2.75 |
| (2) Issued 30 September 2004 | 65,000 | 01/07/05 | 2.95 |
| (2) Issued 30 September 2004 | 85,000 | 28/08/05 | 3.15 |
| (3) Issued 31 March 2005 | 24,000 | 20/12/05 | 3.50 |
| | 314,000 | | |

Source reference

## 5. Executive share option plan (cont'd)

| 2004 Options series | Number exercised | Exercise date | Share price at exercise date $ |
|---|---|---|---|
| *[describe option series]* | - | - | - |

AASB2.45(c) If options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period, for example:

'The weighted average share price of the options exercised during the financial year was $2.86 (2004: none exercised).'

**(ii) Balance at end of the financial year**

AASB2.45(d) The share options outstanding at the end of the financial year had an exercise price of $1.00, and a weighted average remaining contractual life of 146 days.

AASB2.45(d) If the range of exercise prices is wide, the outstanding options shall be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

**Fair value of goods and services determined indirectly by reference to the fair value of equity instruments granted**

AASB2.47 Where the fair value of goods and services received as consideration for equity instruments has been measured indirectly by reference to the fair value of the equity instruments granted, an entity shall disclose:

(a) for share options granted during the period, the weighted average fair value of those options at the measurement date and information on how that fair value was measured, including:
   (i) the option pricing model used and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;
   (ii) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and
   (iii) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition

(b) for equity instruments other than share options granted during the period, the number and weighted average fair value of those equity instruments at the measurement date, and information on how that fair value was measured, including:
   (i) if fair value was not measured on the basis of an observable market price, how it was determined;
   (ii) whether and how expected dividends were incorporated into the measurement of fair value; and
   (iii) whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.

**Modified share-based payment arrangements**

AASB2.47(c) For share-based payment arrangements that were modified during the period, an entity shall disclose:

(i) an explanation of those modifications
(ii) the incremental fair value granted (as a result of those modifications); and
(iii) information on how the incremental fair value granted was measured, consistently with the requirements set out in (a) and (b) above, where applicable.

Source reference

## 6. Remuneration of auditors

| Source reference | | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|---|
| | **Auditor of the parent entity** | | | | |
| AASB101.Aus126.1 (a), Aus126.2(a) | Audit or review of the financial report | 442,627 | 406,239 | 124,602 | 123,823 |
| AASB101.Aus126.1 (b), Aus126.2(b), s.300(11B)(a) | Taxation services | 300,000 | 352,000 | - | - |
| | Other non-audit services *[describe]* | - | - | - | - |
| | | 742,627 | 758,239 | 124,602 | 123,823 |
| AASB101.Aus126.1 (c), Aus126.2(c), s.300(11B)(a) | **Related practice of the parent entity auditor** | | | | |
| | Other non-audit services *[describe]* | - | - | - | - |
| | | - | - | - | - |
| | **Other auditors** | | | | |
| AASB101.Aus126.2 (d) | Auditing the financial report | 237,250 | 419,634 | | |
| | Review of the financial report | - | - | | |
| AASB101.Aus126.2 (e), s.300(11B)(a) | Taxation services | - | - | | |
| | Other non-audit services *[describe]* | - | - | | |
| | | 237,250 | 419,634 | | |
| | **Related practice of the other auditors** | | | | |
| AASB101.Aus126.2 (f), s.300(11B)(a) | Other non-audit services *[describe]* | - | - | | |
| | | - | - | | |

s.300(11B)(a), (11C)(a) — The auditor of DTT Consolidated Limited is Deloitte Touche Tohmatsu.

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

AASB101.Aus126.1 (b), Aus126.2(b), (c), (e), (f) — The nature and amount of each of the non-audit services provided by the auditor of the parent entity, the auditor of a subsidiary in the group, or a related practice of the auditor of a subsidiary, shall be disclosed separately in the notes to the financial statements.

AASB101.Aus126.1 (c) — The nature and amount of each category of non-audit services provided by a related practice of the auditor of a parent entity shall be disclosed in the notes to the financial statements.

### Listed companies

s.300(11B)(a), (11C) — Listed companies must disclose details of the amounts paid or payable to each auditor for non-audit services provided during the year by the auditor (or by another person or firm on the auditor's behalf). For the purposes of this requirement, the details required are the name of the auditor, and the dollar amount that the listed company or any entity that is part of the consolidated entity paid, or is liable to pay, for each of those non-audit services.

Source reference

## 7. Current trade and other receivables

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | Trade receivables (i) | 18,456 | 17,785 | 16,439 | 14,738 |
| AASB139.63 | Allowance for doubtful debts | (798) | (838) | (6) | (4) |
| | | 17,658 | 16,947 | 16,433 | 14,734 |
| AASB117.36 | Finance lease receivable (note 49) | - | - | - | - |
| AASB117.47(d) | Allowance for uncollectible minimum lease payments | - | - | - | - |
| | | - | - | - | - |
| | Deferred sales proceeds (note 58(c)) | 1,566 | - | - | - |
| | Operating lease receivable | - | - | - | - |
| AASB111.42(a) | Amount due from customers under construction contracts (note 38) | 240 | 230 | - | - |
| UIG1031.9 | Goods and services tax (GST) recoverable | - | - | - | - |
| | Other *[describe]* | 54 | 20 | 10 | 15 |
| | | 19,518 | 17,197 | 16,443 | 14,749 |

AASB132.60(a), 94(i) (i) The average credit period on sales of goods is 60 days. No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The movement in the allowance of $40 thousand (company: $2 thousand) was recognised in the profit or loss for the current financial year.

## 8. Other current financial assets

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **At fair value (2004: cost):** | | | | |
| | Shares (i) | 1,900 | 1,889 | 630 | 595 |
| | Options (ii) | 20 | 15 | 25 | 15 |
| | Foreign currency forward contracts | 64 | 113 | - | - |
| | Interest rate swaps (iv) | 456 | - | - | - |
| | Currency swaps (iv) | 52 | 132 | - | - |
| | Other *[describe]* | - | - | - | - |
| | | 2,492 | 2,149 | 655 | 610 |
| | **At amortised cost (2004: cost):** | | | | |
| | Bills of exchange: | | | | |
| | Bills accepted or endorsed by banks | 3,720 | 2,836 | 18 | 188 |
| | Other bills | 584 | 768 | - | 20 |
| | | 4,304 | 3,604 | 18 | 208 |
| | Debentures | 500 | - | - | - |
| AASB124.17(b) | Interest-bearing loans advanced to: | | | | |
| | Key management personnel | 2,420 | - | 2,420 | - |
| | Parent entity | - | - | - | - |
| | Entities with joint control or significant influence over the entity | - | - | - | - |
| | Subsidiaries (iii) | - | - | 24,597 | 30,035 |
| | Associates | - | - | - | - |
| | Joint venture entities | - | - | - | - |

Source reference

| | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **8. Other current financial assets (cont'd)** | | | | |
| | Former key management personnel | - | - | - | - |
| | Other related parties | 1,217 | 3,088 | - | - |
| | Other entities | - | - | - | - |
| | | 3,637 | 3,088 | 27,017 | 30,035 |
| | Other *[describe]* | - | - | - | - |
| | | 10,933 | 8,841 | 27,690 | 30,853 |

AASB132.94(e) (i) Designated as a financial asset at fair value through profit or loss from 1 January 2005.

AASB132.94(e) (ii) Classified as held for trading.

(iii) Receivables from entities within the wholly-owned group include amounts arising under the entity's tax funding arrangement.

(iv) There is no requirement to recognise swaps under the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of AASB 139 'Financial Instruments: Recognition and Measurement'). Such swaps are recognised in the current period under AASB 139.

| | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **9. Current inventories** | | | | |
| AASB102.36(b) | **Raw materials:** | | | | |
| | At cost | 9,142 | 10,322 | 42 | 44 |
| AASB102.36(b) | **Work in progress:** | | | | |
| | At cost | 4,490 | 4,354 | 36 | 46 |
| AASB102.36(b) | **Finished goods:** | | | | |
| | At cost | 17,780 | 15,458 | 142 | 150 |
| AASB102.36(c) | At net realisable value | 132 | 218 | - | - |
| | | 17,912 | 15,676 | 142 | 150 |
| AASB102.36(b) | | 31,544 | 30,352 | 220 | 240 |

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| **10. Other current assets** | | | | |
| Deferred loss on foreign currency contracts (i) | - | - | - | - |
| Prepayments | - | - | - | - |
| Other *[describe]* | - | - | - | - |
| | - | - | - | - |

(i) Deferred losses on foreign currency hedging contracts are recognised as assets in the comparative period in accordance with the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of AASB 139 'Financial Instruments: Recognition and Measurement'). Such losses are not recognised as assets in the current period under AASB 139, but are deferred in equity or recognised in profit or loss, as appropriate.

Source reference

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **11. Non-current assets held for sale** | | | | |
| | Land held for sale (i) | 1,260 | - | - | - |
| | Discontinued operations (note 55) | 21,076 | - | - | - |
| | | 22,336 | - | - | - |

AASB5.41 (i) The consolidated entity intends to dispose of a parcel of land it no longer utilises in the next 10 months. The property was previously used in the consolidated entity's toys operations. A search is underway for a buyer. No impairment loss was recognised on reclassification of the land as held for sale or at reporting date.

## 12. Non-current trade and other receivables

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | Trade receivables | - | - | - | - |
| AASB139.63 | Allowance for doubtful debts | - | - | - | - |
| | | - | - | - | - |
| AASB117.36 | Finance lease receivable (note 49) | - | - | - | - |
| AASB117.47(d) | Allowance for uncollectible minimum lease payments | - | - | - | - |
| | | - | - | - | - |
| | Operating lease receivable | - | - | - | - |
| AASB111.42(a) | Amount due from customers under construction contracts (note 38) | - | - | - | - |
| | Other *[describe]* | - | - | - | - |
| | | - | - | - | - |

## 13. Non-current inventories

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB102.36(b) | **Raw materials:** | | | | |
| | At cost | - | - | - | - |
| AASB102.36(b) | **Work in progress:** | | | | |
| | At cost | - | - | - | - |
| AASB102.36(b) | **Finished goods:** | | | | |
| | At cost | - | - | - | - |
| | At net realisable value | - | - | - | - |
| | | - | - | - | - |
| AASB102.36(b) | | - | - | - | - |

## 14. Investments accounted for using the equity method

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB128.38 | Investments in associates | 6,721 | 5,811 | - | - |
| AASB131.Aus57.4 | Investments in jointly controlled entities | 1,704 | 1,458 | - | - |
| | | 8,425 | 7,269 | - | - |

Source reference

## 14. Investments accounted for using the equity method (cont'd)

| Source reference | Name of entity | Principal activity | Country of incorporation | Ownership interest *(v)* 2005 % | Ownership interest *(v)* 2004 % | Published fair value *(vi)* 2005 $'000 | Published fair value *(vi)* 2004 $'000 |
|---|---|---|---|---|---|---|---|
| AASB128.37(a), Aus37.1(a) | **Associates** | | | | | | |
| | DTT Germany Limited | Transport | Germany | 35 *(i)* | 35 | 2,231 | 2,069 |
| | DTT Trust | Steel manufacturing | Australia | 27 | 27 | - | - |
| | DTT Finance Limited | Finance company | Australia | 40 | 40 | - | - |
| | DTT Geneva Limited | Transport | Switzerland | 25 *(ii)* | 25 | - | - |
| AASB131.Aus57.2 (a), Aus57.3(a)(i), (ii) | **Jointly controlled entities** | | | | | | |
| | DTT China Limited | Electronics | China | 20 *(iii)* | 20 | - | - |
| | DTT Partnership | Oil | Australia | 25 | 25 | - | - |
| | DTT India Limited | Clothing manufacturer | India | 15 *(iv)* | 15 | 587 | 536 |

AASB128.Aus37.1 (a)(iii) — (i) Pursuant to a shareholder agreement the company has the right to cast 37% of the votes at shareholder meetings.

AASB128.Aus37.1 (a)(ii) — (ii) The reporting date of DTT Geneva Limited is 30 November. The company acquired an additional 10% ownership interest in DTT Geneva Limited on 15 December 2005 bringing the ownership interest in DTT Geneva Limited at reporting date of the company to 35%.

AASB131.Aus57.3 (a)(iii) — (iii) Pursuant to a shareholder agreement the company has the right to cast 25% of the votes at shareholder meetings.

AASB131.Aus57.3 (a)(ii) — (iv) The reporting date of DTT India Limited is 31 October. The company acquired an additional 10% ownership interest in DTT India Limited on 10 November 2005 bringing the ownership interest in DTT India Limited at reporting date of the company to 25%.

AASB128.37(c) — (v) An investor shall disclose the reasons why the presumption that it does not have significant influence is overcome if it holds, directly, or indirectly through subsidiaries, less than 20% of the voting or potential voting power of the investee but concludes that it has significant influence.

AASB128.37(a), AASB131.Aus57.2(a) — (vi) The fair value of interests in associates and jointly controlled entities for which there are published price quotations shall be disclosed.

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 |
|---|---|---|---|
| | **Summarised financial information of associates:** | | |
| | Current assets | 11,740 | 10,960 |
| | Non-current assets | 28,666 | 24,950 |
| AASB128.37(b) | | 40,406 | 35,910 |
| | Current liabilities | (6,042) | (6,259) |
| | Non-current liabilities | (3,005) | (3,358) |
| AASB128.37(b) | | (9,047) | (9,617) |
| | **Net assets** | 31,359 | 26,293 |
| AASB128.37(b) | **Revenue** | 5,645 | 6,984 |
| AASB128.37(b) | **Net profit** | 3,212 | 3,694 |
| | **Share of associates' profit or loss:** | | |
| AASB128.Aus37.1(b)(i) | Share of profit/(loss) before income tax | 1,213 | 2,115 |
| AASB128.Aus37.1(b)(i) | Income tax expense | (278) | (526) |
| AASB128.38 | Share of associate's profit/(loss) | 935 | 1,589 |

Source reference

## 14. Investments accounted for using the equity method (cont'd)

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 |
|---|---|---|---|
| | **Summarised financial information of jointly controlled entities:** | | |
| AASB131.Aus57.2(b) | Current assets | 734 | 708 |
| | Non-current assets | 1,792 | 1,560 |
| | | 2,526 | 2,268 |
| AASB131.Aus57.2(b) | Current liabilities | (376) | (391) |
| | Non-current liabilities | (184) | (210) |
| | | (560) | (601) |
| AASB131.Aus57.2(b) | **Net assets** | 1,966 | 1,667 |
| AASB131.Aus57.2(b) | **Income** | 6,409 | 4,920 |
| AASB131.Aus57.2(b) | **Expenses** | 3,047 | 2,725 |
| | **Share of jointly controlled entities' profit or loss:** | | |
| AASB131.Aus57.3 (b)(i) | Share of profit/(loss) before income tax | 370 | 251 |
| AASB131.Aus57.3 (b)(ii) | Income tax expense | (119) | (251) |
| AASB131.Aus57.4 | Share of jointly controlled entities' profit/(loss) | 251 | - |

### Dividends received from associates and joint ventures

AASB124.17(a)

During the year, the consolidated entity received dividends of $25 thousand (2004: $25 thousand) from its associates and dividends of $5 thousand (2004: nil) from its jointly controlled entities.

AASB128.Aus37.1(d), 40(a), AASB131.54(a), (b), 55, Aus57.3(d)

### Contingent liabilities and capital commitments

The consolidated entity's share of the contingent liabilities, capital commitments and other expenditure commitments of associates and jointly controlled entities are disclosed in notes 47 and 48 respectively.

AASB128.40(b), AASB131.54(c)

The company is joint and severally liable for all the liabilities of DTT Finance Limited; these are disclosed in note 48.

### Disclosure in aggregate or individually

Accounting Standards AASB 128 'Investments in Associates' and AASB 131 'Interests in Joint Ventures' do not explicitly state whether the disclosure of summarised financial information is to be made individually or in aggregate. An entity shall consider disclosing information on an individual basis where this is material to the evaluation of operating performance and financial position of the investor.

### Restrictions on fund transfers

AASB128.37(f), AASB131.Aus57.2 (d)

The entity shall disclose the nature and extent of any significant restrictions (for example, resulting from borrowing arrangements or regulatory requirements) on the ability of an associate or a jointly controlled entity to transfer funds to the entity in the form of cash dividends, or repayment of loans or advances.

Source reference

## 14. Investments accounted for using the equity method (cont'd)

### Unrecognised share of losses

AASB128.37(g), AASB131.Aus57.2(e)

The entity shall disclose the unrecognised share of losses of an associate or jointly controlled entity, both for the period and cumulatively, if recognition of the associate's or jointly controlled entity's share of losses has been discontinued.

### Reciprocal interests held by associate or jointly controlled entity

AASB128.Aus37.1 (a)(iv), AASB131.Aus57.3 (a)(iv)

Where an associate or jointly controlled entity holds equity in the entity, the percentage of equity held by the associate or jointly controlled entity shall be disclosed.

The carrying amount of the investment in the associate or jointly controlled entity is reduced by an amount representing the investor or venturer's indirect holding in its own equity because of the cross-holding. An equivalent adjustment is made to the equity of the investor or joint venturer.

The amount of the investor's share of the associate's or jointly controlled entity's profit or loss is determined after eliminating the investor's or venturer's proportionate share of that part of its own profit or loss which has been included in the associate's or jointly controlled entity's profit or loss.

### Different reporting dates or reporting periods

AASB128.24, 25

The most recent available financial statements of the associate are used by the investor in applying the equity method. When the reporting dates of the investor and the associate are different, the associate prepares, for the use of the investor, financial statements as of the same date as the financial statements of the investor unless it is impracticable to do so.

When the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the investor, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements. In any case, the difference between the reporting date of the associate and that of the investor shall be no more than three months. The length of the reporting periods and any difference in the reporting dates shall be the same from period to period.

AASB128.37(e), AASB131.Aus57.2(c)

The entity shall disclose the reporting date of the financial statements of an associate or jointly controlled entity, when such financial statements are used in applying the equity method and are as of a reporting date or for a period that is different from that of the investor or venturer, and the reason for using a different reporting date or different period.

### Discontinued operations of associates and joint ventures

AASB128.38, AASB131.Aus57.4

The entity's share of any discontinued operations of associates or joint ventures shall be separately disclosed.

### Impairment of equity accounted investments

AASB128.Aus37.1(c) AASB131.Aus57.3(c)

Where the equity method is applied to investments, an entity shall disclose:

(i) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are included; and

(ii) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are reversed;

### Equity accounted investment reduced to zero

AASB128.29

If an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associate.

Source reference

## 14. Investments accounted for using the equity method (cont'd)

Such items may include preference shares and long-term receivables or loans but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans. Losses recognised under the equity method in excess of the investor's investment in ordinary shares are applied to the other components of the investor's interest in an associate in the reverse order of their seniority (i.e. priority in liquidation).

AASB128.30

After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

### Ceasing to have significant influence or joint control

AASB128.18, 19, AASB131.41, 45

An investor shall discontinue the use of the equity method from the date that it ceases to have significant influence over an associate and shall account for the investment in accordance with Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement' from that date, provided the associate does not become a subsidiary or a joint venture. The carrying amount of the investment at the date that it ceases to be an associate shall be regarded as its cost on initial measurement as a financial asset in accordance with AASB 139.

Similar requirements apply to jointly controlled entities that cease to be jointly controlled or significantly influenced by the venturer.

### Exceptions to equity method

AASB128.13, AASB131.2

An entity is exempted from applying the equity method to account for an interest in a jointly controlled entity or an associate when the interest is classified as held for sale in accordance with Accounting Standard AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' or if all of the following apply:

(i) the entity is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not applying the equity method;

(ii) the entity's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

(iii) the entity did not file, nor is it in the process of filing, its financial report with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and

(iv) the ultimate Australian or any intermediate parent of the entity produces consolidated financial statements available for public use that comply with A-IFRS.

AASB5.15, AASB128.14, Aus14.1, 37(h), (i), AASB131.42, Aus43.1, Aus57.2(f), (g)

Where the interest is classified as held for sale, the interest shall be measured at the lower of carrying amount and fair value less costs to sell. Otherwise, the entity shall account for the interest at cost, or in accordance with AASB 139.

The entity shall disclose the fact that the interest has not been accounted for using the equity method and shall provide summarised financial information of such entities, either individually or in groups, including the amounts of total assets, total liabilities, revenues and profit or loss.

AASB128.15, AASB131.43

When an interest in a jointly controlled entity or an associate previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

Source reference

## 15. Other non-current financial assets

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| Shares in controlled entities | - | - | 66,298 | 66,298 |
| **At fair value (2004: cost):** | | | | |
| Available-for-sale: | | | | |
| Convertible notes (i) | 2,200 | 2,122 | 2,200 | 2,122 |
| Shares (ii) | 4,020 | 3,832 | 34 | 30 |
| Other *[describe]* | - | - | - | - |
| | 6,220 | 5,954 | 2,234 | 2,152 |
| Foreign currency forward contracts | - | - | - | - |
| Interest rate swaps (iii) | 1,065 | - | - | - |
| Currency swaps (iii) | - | - | - | - |
| Other *[describe]* | - | - | - | - |
| **At amortised cost (2004: cost):** | | | | |
| Bills of exchange: | | | | |
| Bills accepted or endorsed by banks | 2,059 | 1,658 | - | - |
| Other bills | - | - | - | - |
| | 2,059 | 1,658 | - | - |
| Debentures | - | - | - | - |
| AASB124.17(b) Interest-bearing loans advanced to: | | | | |
| Key management personnel | - | - | - | - |
| Parent entity | - | - | - | - |
| Entities with joint control or significant influence over the entity | - | - | - | - |
| Subsidiaries | - | - | - | - |
| Associates | - | - | - | - |
| Joint venture entities | - | - | - | - |
| Former key management personnel | - | - | - | - |
| Other related parties | - | - | - | - |
| | - | - | - | - |
| Other *[describe]* | - | - | - | - |
| | 9,344 | 7,612 | 68,532 | 68,450 |

AASB132.60(a) (i) The consolidated entity holds listed convertible notes returning 7% p.a. The convertible notes convert into ordinary shares of the entities in which the notes are held in 2008.

AASB128.37(d) (ii) The consolidated entity holds 20% (2004: 20%) of the ordinary share capital of Rocket Corp Limited, a company involved in the refining and distribution of fuel products. The directors of the consolidated entity do not believe that the consolidated entity is able to exert significant influence over Rocket Corp Limited as the other 80% is controlled by one shareholder, who also manages the day-to-day operations of the company.

(iii) There is no requirement to recognise swaps under the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of AASB 139 'Financial Instruments: Recognition and Measurement'). Such swaps are recognised in the current period under AASB 139.

Source reference

## 16. Property, plant and equipment

| Source reference | | Consolidated | | | | | |
|---|---|---|---|---|---|---|---|
| | | Freehold land at fair value $'000 | Buildings at fair value $'000 | Leasehold improve-ments at cost $'000 | Plant and equip-ment at cost $'000 | Equipment under finance lease at cost $'000 | Total $'000 |
| | **Gross carrying amount** | | | | | | |
| AASB116.73(d) | Balance at 1 January 2004 | 14,750 | 12,145 | 276 | 136,515 | 630 | 164,316 |
| AASB116.73(e)(i) | Additions | - | 1,205 | - | 10,657 | 40 | 11,902 |
| | Disposals | - | - | - | (27,286) | - | (27,286) |
| AASB116.73(e)(iii) | Acquisitions through business combinations | - | - | - | - | - | - |
| AASB116.73(e)(ii) | Classified as held for sale | - | - | - | - | - | - |
| AASB116.73(e)(iv) | Net revaluation increments/ (decrements) | 1,608 | 37 | - | - | - | 1,645 |
| AASB116.73(e)(viii) | Net foreign currency exchange differences | - | - | - | - | - | - |
| AASB116.73(e)(ix) | Other *[describe]* | - | - | - | - | - | - |
| AASB116.73(d) | **Balance at 1 January 2005** | 16,358 | 13,387 | 276 | 119,886 | 670 | 150,577 |
| AASB116.73(e)(i) | Additions | - | - | - | 22,983 | - | 22,983 |
| | Disposals | (1,230) | (1,084) | (16) | (19,147) | (624) | (22,101) |
| AASB116.73(e)(iii) | Acquisitions through business combinations | (300) | (100) | - | 454 | - | 54 |
| AASB116.73(e)(ii) | Classified as held for sale | (1,260) | (1,357) | - | (20,785) | - | (23,402) |
| AASB116.73(e)(iv) | Net revaluation increments/ (decrements) | - | - | - | - | - | - |
| AASB116.73(e)(viii) | Net foreign currency exchange differences | - | - | - | - | - | - |
| AASB116.73(e)(ix) | Other *[describe]* | - | - | - | - | - | - |
| AASB116.73(d) | **Balance at 31 December 2005** | 13,568 | 10,846 | 260 | 103,391 | 46 | 128,111 |

Source reference

## 16. Property, plant and equipment (cont'd)

| | | Consolidated | | | | | |
|---|---|---|---|---|---|---|---|
| | | Freehold land at fair value $'000 | Buildings at fair value $'000 | Leasehold improve-ments at cost $'000 | Plant and equip-ment at cost $'000 | Equipment under finance lease at cost $'000 | Total $'000 |
| | **Accumulated depreciation/ amortisation and impairment** | | | | | | |
| AASB116.73(d) | Balance at 1 January 2004 | - | - | - | - | (378) | (378) |
| | Disposals | - | - | - | 58 | - | 58 |
| AASB116.73(e)(iv) | Net adjustments from revaluation increments/ (decrements) | - | (2) | - | - | - | (2) |
| AASB116.73(e)(ii) | Classified as held for sale | - | - | - | - | - | - |
| AASB116.73(e)(v), AASB136.126(a), AASB101.87(a) | Impairment losses charged to profit (i) | - | - | - | - | - | - |
| AASB116.73(e)(vi), AASB136.126(b), AASB101.87(a) | Reversals of impairment losses charged to profit (i) | - | - | - | - | - | - |
| AASB116.73(e)(vii) | Depreciation expense | - | (892) | (55) | (14,717) | (130) | (15,794) |
| AASB116.73(e)(viii) | Net foreign currency exchange differences | - | - | - | - | - | - |
| AASB116.73(e)(ix) | Other *[describe]* | - | - | - | - | - | - |
| AASB116.73(d) | **Balance at 1 January 2005** | - | (894) | (55) | (14,659) | (508) | (16,116) |
| | Disposals | - | 102 | 4 | 5,967 | 500 | 6,573 |
| AASB116.73(e)(iv) | Net adjustments from revaluation increments/ (decrements) | - | - | - | - | - | - |
| AASB116.73(e)(ii) | Classified as held for sale | - | 153 | - | 6,305 | - | 6,458 |
| AASB116.73(e)(v), AASB136.126(a), AASB101.87(a) | Impairment losses charged to profit (i) | - | - | - | (204) | - | (204) |
| AASB116.73(e)(vi), AASB136.126(b), AASB101.87(a) | Reversals of impairment losses charged to profit (i) | - | - | - | - | - | - |
| AASB116.73(e)(vii) | Depreciation expense | - | (721) | (53) | (12,803) | (10) | (13,587) |
| AASB116.73(e)(viii) | Net foreign currency exchange differences | - | - | - | - | - | - |
| AASB116.73(e)(ix) | Other *[describe]* | - | - | - | - | - | - |
| AASB116.73(d) | **Balance at 31 December 2005** | - | (1,360) | (104) | (15,394) | (18) | (16,876) |
| AASB117.31(a) | **Net book value** | | | | | | |
| | As at 31 December 2004 | 16,358 | 12,493 | 221 | 105,227 | 162 | 134,461 |
| | As at 31 December 2005 | 13,568 | 9,486 | 156 | 87,997 | 28 | 111,235 |

Source reference

## 16. Property, plant and equipment (cont'd)

| Source reference | | Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | Freehold land at fair value $'000 | Buildings at fair value $'000 | Leasehold improve-ments at cost $'000 | Plant and equip-ment at cost $'000 | Equipment under finance lease at cost $'000 | Total $'000 |
| | **Gross carrying amount** | | | | | | |
| AASB116.73(d) | Balance at 1 January 2004 | 44 | 78 | - | 507 | - | 629 |
| AASB116.73(e)(i) | Additions | - | - | - | 28 | - | 28 |
| | Disposals | - | - | - | (117) | - | (117) |
| AASB116.73(e)(iii) | Acquisitions through business combinations | - | - | - | - | - | - |
| AASB116.73(e)(ii) | Classified as held for sale | - | - | - | - | - | - |
| AASB116.73(e)(iv) | Net revaluation increments/ (decrements) | 2 | - | - | - | - | 2 |
| AASB116.73(e)(viii) | Net foreign currency exchange differences | - | - | - | - | - | - |
| AASB116.73(e)(ix) | Other *[describe]* | - | - | - | - | - | - |
| AASB116.73(d) | **Balance at 1 January 2005** | 46 | 78 | - | 418 | - | 542 |
| AASB116.73(e)(i) | Additions | 5 | 20 | - | 30 | - | 55 |
| | Disposals | (10) | (20) | - | (14) | - | (44) |
| AASB116.73(e)(iii) | Acquisitions through business combinations | - | - | - | - | - | - |
| AASB116.73(e)(ii) | Classified as held for sale | - | - | - | - | - | - |
| AASB116.73(e)(iv) | Net revaluation increments/ (decrements) | - | - | - | - | - | - |
| AASB116.73(e)(viii) | Net foreign currency exchange differences | - | - | - | - | - | - |
| AASB116.73(e)(ix) | Other *[describe]* | - | - | - | - | - | - |
| AASB116.73(d) | **Balance at 31 December 2005** | 41 | 78 | - | 434 | - | 553 |

**Source reference**

## 16. Property, plant and equipment (cont'd)

| Source reference | | Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | Freehold land at fair value | Buildings at fair value | Leasehold improve-ments at cost | Plant and equip-ment at cost | Equipment under finance lease at cost | Total |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| | **Accumulated depreciation/ amortisation and impairment** | | | | | | |
| AASB116.73(d) | Balance at 1 January 2004 | - | - | - | - | - | - |
| | Disposals | - | - | - | 8 | - | 8 |
| AASB116.73(e)(iv) | Net adjustments from revaluation increments/ (decrements) | - | - | - | - | - | - |
| AASB116.73(e)(ii) | Classified as held for sale | - | - | - | - | - | - |
| AASB116.73(e)(v), AASB136.126(a), AASB101.87(a) | Impairment losses charged to profit (i) | - | - | - | - | - | - |
| AASB116.73(e)(vi), AASB136.126(b), AASB101.87(a) | Reversals of impairment losses charged to profit (i) | - | - | - | - | - | - |
| AASB116.73(e)(vii) | Depreciation expense | - | (7) | - | (38) | - | (45) |
| AASB116.73(e)(viii) | Net foreign currency exchange differences | - | - | - | - | - | - |
| AASB116.73(e)(ix) | Other *[describe]* | - | - | - | - | - | - |
| AASB116.73(d) | **Balance at 1 January 2005** | - | (7) | - | (30) | - | (37) |
| | Disposals | - | 1 | - | 7 | - | 8 |
| AASB116.73(e)(iv) | Net adjustments from revaluation increments/ (decrements) | - | - | - | - | - | - |
| AASB116.73(e)(ii) | Classified as held for sale | - | - | - | - | - | - |
| AASB116.73(e)(v), AASB136.126(a), AASB101.87(a) | Impairment losses charged to profit (i) | - | - | - | - | - | - |
| AASB116.73(e)(vi), AASB136.126(b), AASB101.87(a) | Reversals of impairment losses charged to profit (i) | - | - | - | - | - | - |
| AASB116.73(e)(vii) | Depreciation expense | - | (8) | - | (40) | - | (48) |
| AASB116.73(e)(viii) | Net foreign currency exchange differences | - | - | - | - | - | - |
| AASB116.73(e)(ix) | Other *[describe]* | - | - | - | - | - | - |
| AASB116.73(d) | **Balance at 31 December 2005** | - | (14) | - | (63) | - | (77) |
| AASB117.31(a) | **Net book value** | | | | | | |
| | As at 31 December 2004 | 46 | 71 | - | 388 | - | 505 |
| | As at 31 December 2005 | 41 | 64 | - | 371 | - | 476 |

AASB136.126(a), 131

(i) Impairment losses are included in the line item 'impairment of non-current assets' in the income statement. The impairment losses recognised during the period (2004: nil) relate to write-downs of various items of plant and equipment that were storm damaged during the period.

AASB136.126(a), (b)

The line item(s) of the income statement in which impairment losses are recognised or reversed shall be disclosed. Entities disclosing expenses by function may wish to use the following wording as a guide:

'Of the charge for the year, impairment losses of *[amount]* (2004: *[amount]*) has been included in occupancy expenses and the remainder in other expenses.'

Source reference

## 16. Property, plant and equipment (cont'd)

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB116.75(a) | Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year: | | | | |
| | Buildings | 721 | 892 | 8 | 7 |
| | Leasehold improvements | 53 | 55 | - | - |
| | Plant and equipment | 12,803 | 14,717 | 40 | 38 |
| | Equipment under finance lease | 10 | 130 | - | - |
| | | 13,587 | 15,794 | 48 | 45 |

Where note 2 to the financial statements separately discloses total depreciation by class of asset, the following disclosure may be made instead of the above aggregate depreciation disclosure:

> 'Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.'

**Freehold land and buildings carried at fair value**

AASB116.77(a), (b), (c), (d) An independent valuation of the consolidated entity's land and buildings was performed by Messrs R & P Trent to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to discounted cash flows using a discount rate of 10%. The effective date of the valuation is 31 December 2005 (2004: 31 December 2004).

AASB116.77(e) The carrying amount of land and buildings had they been recognised under the cost model are as follows:

| | Consolidated 2005 | Consolidated 2004 | Company 2005 | Company 2004 |
|---|---|---|---|---|
| Freehold land | 11,957 | 14,750 | 39 | 44 |
| Buildings | 9,455 | 12,460 | 64 | 71 |

### Alternative presentation format

The reconciliation of the movement in the carrying amount of each class of assets can be presented in alternative formats.

### Assets under construction

AASB116.74(b) The amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction shall be disclosed.

### Compensation from third parties

AASB116.74(d) If not disclosed separately on the face of the income statement, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss shall be disclosed.

### Property, plant and equipment stated at revalued amounts

AASB116.77 If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) the methods and significant assumptions applied in estimating the items' fair values;

Source reference

## 16. Property, plant and equipment (cont'd)

(d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;

(e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and

(f) the revaluation reserve, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

AASB116.35 When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

(a) restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to its depreciated replacement cost; or

(b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. This method is often used for buildings.

The amount of the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with AASB 116 'Property, Plant and Equipment'.

### Impairment of revalued property, plant and equipment

AASB136.5 Property, plant and equipment carried at revalued amounts shall also be tested for impairment. Identifying whether a revalued asset may be impaired depends on the basis used to determine fair value:

(a) if the asset's fair value is its market value, the only difference between the asset's fair value and its fair value less costs to sell is the direct incremental costs to dispose of the asset:

  (i) if the disposal costs are negligible, the recoverable amount of the revalued asset is necessarily close to, or greater than, its revalued amount (i.e. fair value). In this case, after the revaluation requirements have been applied, it is unlikely that the revalued asset is impaired and recoverable amount need not be estimated;

  (ii) if the disposal costs are not negligible, the fair value less costs to sell of the revalued asset is necessarily less than its fair value. Therefore, the revalued asset will be impaired if its value in use is less than its revalued amount (i.e. fair value). In this case, after the revaluation requirements have been applied, an entity applies AASB 136 'Impairment of Assets' to determine whether the asset may be impaired; and

(b) if the asset's fair value is determined on a basis other than its market value, its revalued amount (i.e. fair value) may be greater or lower than its recoverable amount. Hence, after the revaluation requirements have been applied, an entity applies AASB 136 to determine whether the asset may be impaired.

### Disclosure of impairment of property, plant and equipment

AASB136.130 An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, or a cash-generating unit:

(a) the events and circumstances that led to the recognition or reversal of the impairment loss;

(b) the amount of the impairment loss recognised or reversed; and

(c) for an individual asset:

  (i) the nature of the asset; and

  (ii) if the entity reports segment information, the reportable segment to which the asset belongs, based on the entity's primary reporting format;

(d) for a cash-generating unit:

  (i) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment);

Source reference

## 16. Property, plant and equipment (cont'd)

(ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information, by reportable segment based on the entity's primary reporting format; and

(iii) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified; and

(e) whether the recoverable amount of the asset (or cash-generating unit) is its fair value less costs to sell or its value in use;

(f) if recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market); and

(g) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.

AASB136.131 An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with paragraph 130:

(a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses; and

(b) the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.

### Additional disclosures

AASB116.79 Entities are encouraged to disclose the following information, as users of the financial report may find the information relevant to their needs:

(a) the carrying amount of temporarily idle property, plant and equipment;

(b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;

(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with Accounting Standard AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'; and

(d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.

## 17. Investment property

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB140.76 | Balance at beginning of financial year | 132 | 112 | - | - |
| AASB140.76(a) | Additions from subsequent expenditure | 10 | 12 | - | - |
| AASB140.76(b) | Acquisitions through businesses combinations | - | - | - | - |
| AASB140.76(a) | Other acquisitions | - | - | - | - |
| AASB140.76(c) | Disposals and property held for sale | - | - | - | - |
| AASB140.76(d) | Net gain/(loss) from fair value adjustments | (6) | 8 | - | - |
| AASB140.76(e) | Net foreign currency exchange differences | - | - | - | - |
| AASB140.76(f) | Transfers | - | - | - | - |
| AASB140.76(g) | Other changes | - | - | - | - |
| AASB140.76 | Balance at end of financial year | 136 | 132 | - | - |

Source reference

## 17. Investment property (cont'd)

AASB140.75(d), (e) The fair value of the consolidated entity's investment property at 31 December 2005 (31 December 2004) has been arrived at on the basis of a valuation carried out at that date by Messrs R & P Trent, independent valuers not related to the consolidated entity. The valuation, which conforms to Australian Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

Messrs R P Trent has in excess of 20 years of experience valuing similar commercial properties in the Sydney CBD.

AASB140.75(d) An entity shall disclose the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data.

AASB140.75(e) The extent to which the fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued shall be disclosed. If there has been no such valuation, that fact shall be disclosed

### Adjustment for recognised assets and liabilities

AASB140.77 When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back, and any other significant adjustments.

### Inability to determine fair value reliably

AASB140.78 In the exceptional cases where an entity is unable to reliably determine the fair value of an investment property, and accordingly measures that investment property using the cost model, the reconciliation illustrated above shall disclose amounts relating to that investment property separately from amounts relating to other investment property. In addition, an entity shall disclose:

(a) a description of the investment property;
(b) an explanation of why fair value cannot be determined reliably;
(c) if possible, the range of estimates within which fair value is highly likely to lie; and
(d) on disposal of investment property not carried at fair value:
    (i) the fact that the entity has disposed of investment property not carried at fair value
    (ii) the carrying amount of that investment property at the time of sale; and
    (iii) the amount of gain or loss recognised.

### Investment properties measured under the cost model

AASB140.79 An entity that applies the cost model shall disclose, in addition to the disclosures illustrated in notes 1(s), 2, 17 and 47 to these model financial statements:

(a) the depreciation methods used;
(b) the useful lives or the depreciation rates used;
(c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;
(d) a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:
    (i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset;
    (ii) additions resulting from acquisitions through business combinations;
    (iii) assets classified as held for sale or included in a disposal group in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' and other disposals;

Source reference

## 17. Investment property (cont'd)

(iv) depreciation;
(v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with AASB 136 'Impairment of Assets';
(vi) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;
(vii) transfers to and from inventories and owner-occupied property; and
(viii) other changes; and

(e) the fair value of investment property. When an entity cannot determine the fair value of the investment property reliably, it shall disclose:
(i) a description of the investment property;
(ii) an explanation of why fair value cannot be determined reliably; and
(iii) if possible, the range of estimates within which fair value is highly likely to lie.

AASB140.75(d), 75(e) An entity shall disclose the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data, and the extent to which the fair value of investment property (as measured or disclosed in the financial report) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.

## 18. Goodwill

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **Gross carrying amount** | | | | |
| AASB3.75(a) | Balance at beginning of financial year | 24,060 | 24,060 | - | - |
| AASB3.75(b) | Additional amounts recognised from business combinations occurring during the period | 390 | - | - | - |
| AASB3.75(c) | Reduction arising from realisation of deferred tax assets not previously recognised | - | - | - | - |
| AASB3.75(d) | Derecognised on disposal of a subsidiary | (3,080) | - | - | - |
| AASB3.75(d) | Derecognised on reclassification of investment as held for sale | (1,147) | - | - | - |
| AASB3.75(f) | Effects of foreign currency exchange differences | - | - | - | - |
| AASB3.75(g) | Other | - | - | - | - |
| AASB3.75(h) | Balance at end of financial year | 20,223 | 24,060 | - | - |
| | **Accumulated impairment losses** | | | | |
| AASB3.75(a) | Balance at beginning of financial year | - | - | - | - |
| AASB3.75(e), AASB136.126(a), 130(b) | Impairment losses for the year (i) | (15) | - | - | - |
| AASB3.75(d) | Eliminated on disposal of a subsidiary | - | - | - | - |
| AASB3.75(d) | Eliminated on reclassification of investment as held for sale | - | - | - | - |
| AASB3.75(f) | Effect of foreign currency exchange differences | - | - | - | - |
| AASB3.75(h) | Balance at end of financial year | (15) | - | - | - |

Source reference

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| | **18. Goodwill (cont'd)** | | | | |
| | **Net book value** | | | | |
| AASB3.74, 75 | At the beginning of the financial year | 24,060 | 24,060 | - | - |
| AASB3.74, 75 | At the end of the financial year | 20,208 | 24,060 | - | - |

AASB3.76, AASB136.130

(i) During the financial year, the consolidated entity assessed the recoverable amount of goodwill, and determined that goodwill associated with the sales office in Germany was impaired by $15 thousand (2004: nil). The recoverable amount of the cash-generating unit, being the assets of the sales office and goodwill, was assessed by reference to the cash-generating unit's value in use. A discount factor of 10% (2004: 9.5%) was applied in the value in use model.

The main factor contributing to the impairment of the cash-generating unit was a slowing down of widget sales in Germany. No write-down of the carrying amounts of other assets in the cash-generating unit was necessary. The goodwill is included in the 'widgets' reportable segment disclosed in note 54.

**Allocation of goodwill to cash-generating units**

AASB136.134, 135

Goodwill has been allocated for impairment testing purposes to two individual cash-generating units and to four groups of cash-generating units, as follows:

Individual cash-generating units

- Construction operations – Australia
- Widget operations in Canada

Groups of cash-generating units

- Widget operations in Europe
- Bicycle operations – global (disposed in 2005)
- Toys operations – global
- Widget operations – global

The carrying amount of goodwill allocated to the global widget cash-generating units, the global toys cash-generating units and to the global bicycle cash-generating units is significant in comparison with the total carrying amount of goodwill. The carrying amount of goodwill allocated to other cash-generating units is not. However, the recoverable amounts of the widget operations in Canada and Europe are based on some of the same key assumptions, and the aggregate carrying amount of goodwill allocated to those units is significant.

The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is as follows:

| | Consolidated | |
|---|---|---|
| | 2005 $'000 | 2004 $'000 |
| Widget operations – Canada and Europe | 7,000 | 7,015 |
| Widget operations – global | 15,000 | 15,015 |
| Bicycle operations – global | - | 3,080 |
| Toys operations – global | 4,318 | 4,318 |

**Widget operations – Canada and Europe**

The widget operations – Canada and widget operations – Europe units produce similar products, and their recoverable amounts are based on some of the same key assumptions. The recoverable amount of both the cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10%p.a. (2004: 9.5%p.a.).

Source reference

## 18. Goodwill (cont'd)

Cash flow projections during the budget period for both cash-generating units are also based on the same expected gross margins during the budget period and the same raw materials price inflation during the budget period. Both sets of cash flows beyond that five year period have been extrapolated using a steady 11%p.a. growth rate. This growth rate exceeds by 5 percentage points the long-term average growth rate for the international widgets market, however, management believes, as describe in 'widget operations – global' below, that this rate is reasonable. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of those cash-generating units.

**Widget operations – global**

The recoverable amount of the widget operations – global units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10%p.a. (2004: 10%p.a.). Cash flows beyond that five year period have been extrapolated using a steady 11%p.a. growth rate. This growth rate exceeds by 5 percentage points the long-term average growth rate for the international widgets market. However, among other factors, the widgets operations – global benefits from the protection of a 20-year patent on its Series Z widgets, granted in 1990, which is still acknowledged as being one of the top widget models in the market. Management believes that an 11%p.a. growth rate is reasonable in the light of that patent, and of other widget-related products being developed, and its intentions of focussing its operations in this industry. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the widget operations – global carrying amount to exceed its recoverable amount.

**Bicycle operations – global**

The recoverable amount of the bicycle operations – global units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a two-year period (2004-2005), and a discount rate of 9.6%p.a.

The bicycle segment was sold during the current financial year.

**Toys operations - global**

The recoverable amount of the toys operations – global units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10%p.a. (2004: 10%p.a.). Cash flows beyond that five year period have been extrapolated using a steady 8%p.a. growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the toys operations – global units operates. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the toys operations – global carrying amount to exceed its recoverable amount.

Source reference

## 18. Goodwill (cont'd)

The key assumptions used in the value in use calculations for the various significant cash-generating units are as follows:

| Key assumption | Widgets – Canada & Europe | Widgets – Global | Toys – Global | Bicycles – Global |
|---|---|---|---|---|
| Budgeted market share | Average market share in the period immediately before the budget period, plus a growth of 5-7% of market share per year. The values assigned to the assumption reflects past experience, except for the growth factor, which is consistent with management plans for focussing operations in the widgets and toys industry. Management believes that the planned market share growth per year for the next five years is reasonably achievable. | | | Average market share in the period immediately before the budget period, which is consistent with past experience. |
| Budgeted gross margin | Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements. This reflects past experience, except for efficiency improvements. Management expects efficiency improvements of 3-5% per year to be reasonably achievable. | | | |
| Raw materials price inflation | Forecast consumer price indices during the budget period for the countries from which raw materials are purchased. The values assigned to the key assumption are consistent with external sources of information. | | | |

Where goodwill allocated to a cash-generating unit (or groups of units) is not significant individually in comparison with the entity's total carrying amount of goodwill, but is when aggregated with another unit (or units) based on the same key assumptions, the key assumptions to be disclosed in relation to those aggregate units are only the assumptions that are used in the recoverable amount calculation for both units.

### Goodwill not yet allocated to a cash-generating unit

AASB136.133 If any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit (or group of units) at the reporting date, the amount of the unallocated goodwill shall be disclosed together with the reasons why that amount remains unallocated.

### Impairment of cash-generating units including goodwill

AASB136.130 An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:

(a) the events and circumstances that led to the recognition or reversal of the impairment loss;

(b) the amount of the impairment loss recognised or reversed; and

(c) for a cash-generating unit:

- (i) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in Accounting Standard AASB 114 'Segment Reporting');
- (ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information in accordance with AASB 114, by reportable segment based on the entity's primary reporting format; and
- (iii) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified; and

(d) whether the recoverable amount of the asset (or cash-generating unit) is its fair value less costs to sell or its value in use;

(e) if recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market); and

Source reference

## 18. Goodwill (cont'd)

(g) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.

AASB136.131 An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with AASB136.130:

(a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses; and

(b) the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.

**Estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives**

AASB136.134 An entity shall disclose the following information for each cash-generating unit (or group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (or group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives:

(a) the carrying amount of goodwill allocated to the unit (or group of units);

(b) the carrying amount of intangible assets with indefinite useful lives allocated to the unit (or group of units);

(c) the basis on which the unit's (or group of units') recoverable amount has been determined (i.e. value in use or fair value less costs to sell);

(d) if the unit's (or group of units') recoverable amount is based on value in use:

   (i) a description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (or group of units') recoverable amount is most sensitive;

   (ii) a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;

   (iii) the period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (or group of units), an explanation of why that longer period is justified;

   (iv) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (or group of units) is dedicated; and

   (v) the discount rate(s) applied to the cash flow projections;

(e) if the unit's (or group of units') recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (or group of units), the following information shall also be disclosed:

   (i) a description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the unit's (or group of units') recoverable amount is most sensitive; and

   (ii) a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;

Source reference

## 18. Goodwill (cont'd)

(f) if a reasonably possible change in a key assumption on which management has based its determination of the unit's (or group of units') recoverable amount would cause the unit's (or group of units') carrying amount to exceed its recoverable amount:
  (i) the amount by which the unit's (or group of units') recoverable amount exceeds its carrying amount;
  (ii) the value assigned to the key assumption; and
  (iii) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (or group of units') recoverable amount to be equal to its carrying amount.

AASB136.135 If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (or groups of units), and the amount so allocated to each unit (or group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (or groups of units). In addition, if the recoverable amounts of any of those units (or groups of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity shall disclose that fact, together with:

(a) the aggregate carrying amount of goodwill allocated to those units (or groups of units);

(b) the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units (or groups of units);

(c) a description of the key assumption(s);

(d) a description of management's approach to determining the value(s) assigned to the key assumption(s), whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;

(e) if a reasonably possible change in the key assumption(s) would cause the aggregate of the units' (or groups of units') carrying amounts to exceed the aggregate of their recoverable amounts:
  (i) the amount by which the aggregate of the units' (or groups of units') recoverable amounts exceeds the aggregate of their carrying amounts;
  (ii) the value(s) assigned to the key assumption(s); and
  (iii) the amount by which the value(s) assigned to the key assumption(s) must change, after incorporating any consequential effects of the change on the other variables used to measure recoverable amount, in order for the aggregate of the units' (or groups of units') recoverable amounts to be equal to the aggregate of their carrying amounts.

Source reference

## 19. Other intangible assets

| Source reference | | Consolidated | | | | |
|---|---|---|---|---|---|---|
| | | Capitalised development $'000 | Patents $'000 | Trademarks $'000 | Licences $'000 | Total $'000 |
| | **Gross carrying amount** | | | | | |
| AASB138.118(c) | **Balance at 1 January 2004** | 3,230 | 5,825 | 4,711 | 6,940 | 20,706 |
| AASB138.118(e)(i) | Additions | - | - | - | - | - |
| AASB138.118(e)(i) | Additions from internal developments | 358 | - | - | - | 358 |
| AASB138.118(e)(i) | Acquisitions through business combinations | - | - | - | - | - |
| AASB138.118(e)(ii) | Disposals or classified as held for sale | - | - | - | - | - |
| AASB138.118(e)(iii) | Net revaluation increments/ (decrements) | - | - | - | - | - |
| AASB138.118(e)(vii) | Net foreign currency exchange differences | - | - | - | - | - |
| AASB138.118(e)(viii) | Other *[describe]* | - | - | - | - | - |
| AASB138.118(c) | **Balance at 1 January 2005** | 3,588 | 5,825 | 4,711 | 6,940 | 21,064 |
| AASB138.118(e)(i) | Additions | - | - | - | - | - |
| AASB138.118(e)(i) | Additions from internal developments | 6 | - | - | - | 6 |
| AASB138.118(e)(i) | Acquisitions through business combinations | - | - | - | - | - |
| AASB138.118(e)(ii) | Disposals or classified as held for sale | - | - | - | - | - |
| AASB138.118(e)(iii) | Net revaluation increments/ (decrements) | - | - | - | - | - |
| AASB138.118(e)(vii) | Net foreign currency exchange differences | - | - | - | - | - |
| AASB138.118(e)(viii) | Other *[describe]* | - | - | - | - | - |
| AASB138.118(c) | **Balance at 31 December 2005** | 3,594 | 5,825 | 4,711 | 6,940 | 21,070 |

Source reference

## 19. Other intangible assets (cont'd)

| Source reference | | Consolidated Capitalised development $'000 | Patents $'000 | Trademarks $'000 | Licences $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| | **Accumulated amortisation and impairment** | | | | | |
| AASB138.118(c) | **Balance at 1 January 2004** | (1,000) | (874) | (3,533) | (2,776) | (8,183) |
| AASB138.118(e)(vi) | Amortisation expense (i) | (682) | (291) | (236) | (347) | (1,556) |
| AASB138.118(e)(ii) | Disposals or classified as held for sale | - | - | - | - | - |
| AASB138.118(e)(iii) | Net adjustment from revaluation increments/(decrements) | - | - | - | - | - |
| AASB138.118(e)(iv), AASB136.130(b) | Impairment losses charged to profit | - | - | - | - | - |
| AASB138.118(e)(v), AASB136.130(b) | Reversals of impairment losses charged to profit | - | - | - | - | - |
| AASB138.118(e)(vii) | Net foreign currency exchange differences | - | - | - | - | - |
| AASB138.118(e)(viii) | Other *[describe]* | - | - | - | - | - |
| AASB138.118(c) | **Balance at 1 January 2005** | (1,682) | (1,165) | (3,769) | (3,123) | (9,739) |
| AASB138.118(e)(vi) | Amortisation expense (i) | (718) | (291) | (236) | (347) | (1,592) |
| AASB138.118(e)(ii) | Disposals or classified as held for sale | - | - | - | - | - |
| AASB138.118(e)(iii) | Net adjustment from revaluation increments/(decrements) | - | - | - | - | - |
| AASB138.118(e)(iv), AASB136.130(b) | Impairment losses charged to profit | - | - | - | - | - |
| AASB138.118(e)(v), AASB136.130(b) | Reversals of impairment losses charged to profit | - | - | - | - | - |
| AASB138.118(e)(vii) | Net foreign currency exchange differences | - | - | - | - | - |
| AASB138.118(e)(viii) | Other *[describe]* | - | - | - | - | - |
| AASB138.118(c) | **Balance at 31 December 2005** | (2,400) | (1,456) | (4,005) | (3,470) | (11,331) |
| | **Net book value** | | | | | |
| | As at 31 December 2004 | 1,906 | 4,660 | 942 | 3,817 | 11,325 |
| | As at 31 December 2005 | 1,194 | 4,369 | 706 | 3,470 | 9,739 |

**Source reference**

## 19. Other intangible assets (cont'd)

| Source reference | | Company | | | | |
|---|---|---|---|---|---|---|
| | | Capitalised development $'000 | Patents $'000 | Trademarks $'000 | Licences $'000 | Total $'000 |
| | **Gross carrying amount** | | | | | |
| AASB138.118(c) | **Balance at 1 January 2004** | - | - | - | - | - |
| AASB138.118(e)(i) | Additions | - | - | - | - | - |
| AASB138.118(e)(i) | Additions from internal developments | - | - | - | - | - |
| AASB138.118(e)(i) | Acquisitions through business combinations | - | - | - | - | - |
| AASB138.118(e)(ii) | Disposals or classified as held for sale | - | - | - | - | - |
| AASB138.118(e)(iii) | Net revaluation increments/ (decrements) | - | - | - | - | - |
| AASB138.118(e)(vii) | Net foreign currency exchange differences | - | - | - | - | - |
| AASB138.118(e)(viii) | Other *[describe]* | - | - | - | - | - |
| AASB138.118(c) | **Balance at 1 January 2005** | - | - | - | - | - |
| AASB138.118(e)(i) | Additions | - | - | - | - | - |
| AASB138.118(e)(i) | Additions from internal developments | - | - | - | - | - |
| AASB138.118(e)(i) | Acquisitions through business combinations | - | - | - | - | - |
| AASB138.118(e)(ii) | Disposals or classified as held for sale | - | - | - | - | - |
| AASB138.118(e)(iii) | Net revaluation increments/ (decrements) | - | - | - | - | - |
| AASB138.118(e)(vii) | Net foreign currency exchange differences | - | - | - | - | - |
| AASB138.118(e)(viii) | Other *[describe]* | - | - | - | - | - |
| AASB138.118(c) | **Balance at 31 December 2005** | - | - | - | - | - |

Source reference

## 19. Other intangible assets (cont'd)

| Source reference | | Company Capitalised development $'000 | Patents $'000 | Trademarks $'000 | Licences $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| | **Accumulated amortisation and impairment** | | | | | |
| AASB138.118(c) | **Balance at 1 January 2004** | - | - | - | - | - |
| AASB138.118(e)(vi) | Amortisation expense (i) | - | - | - | - | - |
| AASB138.118(e)(ii) | Disposals or classified as held for sale | - | - | - | - | - |
| AASB138.118(e)(iii) | Net adjustment from revaluation increments/(decrements) | - | - | - | - | - |
| AASB138.118(e)(iv), AASB136.130(b) | Impairment losses charged to profit | - | - | - | - | - |
| AASB138.118(e)(v), AASB136.130(b) | Reversals of impairment losses charged to profit | - | - | - | - | - |
| AASB138.118(e)(vii) | Net foreign currency exchange differences | - | - | - | - | - |
| AASB138.118(e)(viii) | Other *[describe]* | - | - | - | - | - |
| AASB138.118(c) | **Balance at 1 January 2005** | - | - | - | - | - |
| AASB138.118(e)(vi) | Amortisation expense (i) | - | - | - | - | - |
| AASB138.118(e)(ii) | Disposals or classified as held for sale | - | - | - | - | - |
| AASB138.118(e)(iii) | Net adjustment from revaluation increments/(decrements) | - | - | - | - | - |
| AASB138.118(e)(iv), AASB136.130(b) | Impairment losses charged to profit | - | - | - | - | - |
| AASB138.118(e)(v), AASB136.130(b) | Reversals of impairment losses charged to profit | - | - | - | - | - |
| AASB138.118(e)(vii) | Net foreign currency exchange differences | - | - | - | - | - |
| AASB138.118(e)(viii) | Other *[describe]* | - | - | - | - | - |
| AASB138.118(c) | **Balance at 31 December 2005** | - | - | - | - | - |
| | **Net book value** | | | | | |
| | As at 31 December 2004 | - | - | - | - | - |
| | As at 31 December 2005 | - | - | - | - | - |

AASB138.118(d) (i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the income statement.

AASB138.118(d) An entity shall disclose the line item(s) of the income statement in which any amortisation of intangible assets is included. Entities disclosing expenses by function may wish to use the following wording as a guide:

> 'Of the charge for the year, *[amount]* (2004: *[amount]*) has been included in marketing expenses and the remainder in other expenses.'

### Significant intangible assets

AASB138.122(b) The consolidated entity holds a patent for the manufacture of its Series Z widgets. The carrying amount of the patent of $2,250 thousand (2004: $2,400 thousand) will be fully amortised in 15 years (2004: 16 years).

AASB138.122(b) An entity shall disclose a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial report.

**Source reference**

## 19. Other intangible assets (cont'd)

### Impairment of intangible assets

AASB138.120

An entity discloses information on impaired intangible assets and estimates used to measure the recoverable amounts of cash-generating units containing intangible assets with indefinite useful lives in accordance with Accounting Standard AASB 136 'Impairment of Assets' in addition to the information required by Accounting Standard AASB 138 'Intangible Assets' (refer also note 18).

### Additional disclosures for indefinite life intangible assets

AASB138.122(a)

An entity shall disclose, for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

AASB138.90

Factors that are considered in determining the useful life of an intangible asset include:

(a) the expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;

(b) typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;

(c) technical, technological, commercial or other types of obsolescence;

(d) the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;

(e) expected actions by competitors or potential competitors;

(f) the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level;

(g) the period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and

(h) whether the useful life of the asset is dependent on the useful life of other assets of the entity.

### Additional disclosures for intangible assets acquired by way of a government grant and initially recognised at fair value

AASB138.122(c)

For intangible assets acquired by way of a government grant and initially recognised at fair value, an entity shall disclose:

(i) the fair value initially recognised for these assets;

(ii) their carrying amount; and

(iii) whether they are measured after recognition under the cost model or the revaluation model

### Intangible assets measured after revaluation using the revaluation model

AASB138.124

If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:

(a) by class of intangible assets:
   - (i) the effective date of the revaluation;
   - (ii) the carrying amount of revalued intangible assets; and
   - (iii) the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model;

(b) the amount of the revaluation reserve that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders; and

(c) the methods and significant assumptions applied in estimating the assets' fair values.

Source reference

## 19. Other intangible assets (cont'd)

### Other information

AASB138.128 An entity is encouraged, but not required, to disclose the following information:

(a) a description of any fully amortised intangible asset that is still in use; and

(b) a brief description of significant intangible assets controlled by the entity but not recognised as assets because they did not meet the recognition criteria in this Standard.

## 20. Other non-current assets

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| Deferred loss on foreign currency contracts (i) | - | - | - | - |
| Prepayments | - | - | - | - |
| Other *[describe]* | - | - | - | - |
| | - | - | - | - |

(i) Deferred losses on foreign currency hedging contracts are recognised as assets in the comparative period in accordance with the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of AASB 139 'Financial Instruments: Recognition and Measurement'). Such losses are not recognised as assets in the current period under AASB 139, but are deferred in equity or recognised in profit or loss, as appropriate.

## 21. Assets received as collateral

AASB132.94(c) When an entity has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral, it shall disclose:

(a) the fair value of the collateral accepted (financial and non-financial assets);

(b) the fair value of any such collateral sold or repledged and whether the entity has an obligation to return it; and

(c) any material terms and conditions associated with its use of this collateral.

## 22. Assets pledged as security

AASB102.36(h), AASB116.74(a), AASB132.94(b), AASB138.122(d), AASB140.75(g) In accordance with the security arrangements of liabilities, as disclosed in notes 29 and 34 to the financial statements, all non-current assets of the consolidated entity, except goodwill and deferred tax assets, have been pledged as security.

The consolidated entity does not hold title to the equipment under finance lease pledged as security.

The financial report shall disclose the following:

AASB102.36(h) (a) the carrying amount of inventories pledged as security for liabilities

AASB138.122(d) (b) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities

AASB116.74(a) (c) the carrying amount of the property, plant and equipment pledged and the related existence and amounts of restrictions on title

AASB140.75(g) (d) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal

AASB132.94(b) (e) the carrying amount of financial assets pledged as collateral for liabilities, the carrying amount of financial assets pledged as collateral for contingent liabilities, and any material terms and conditions relating to assets pledged as collateral

Source reference

## 23. Derecognition of financial assets

AASB132.94(a) An entity may have either transferred a financial asset or entered into a type of arrangement, in such a way that the arrangement does not qualify as a transfer of a financial asset. If the entity either continues to recognise all of the asset or continues to recognise the asset to the extent of the entity's continuing involvement, it shall disclose for each class of financial asset:

(i) the nature of the assets;
(ii) the nature of the risks and rewards of ownership to which the entity remains exposed;
(iii) when the entity continues to recognise all of the asset, the carrying amounts of the asset and of the associated liability; and
(iv) when the entity continues to recognise the asset to the extent of its continuing involvement, the total amount of the asset, the amount of the asset that the entity continues to recognise and the carrying amount of the associated liability.

Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant asset notes.

## 24. Current trade and other payables

| Source reference | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| | Trade payables (i) | 13,472 | 15,955 | 643 | 2,262 |
| | Deferred purchase consideration (note 58(b)) | - | - | - | - |
| | Cash settled share-based payments (note 36) | - | - | - | - |
| AASB111.42(b) | Amounts due to customers under construction contracts (note 38) | 36 | 15 | - | - |
| UIG1031.9 | Goods and services tax (GST) payable | - | - | - | - |
| | Other *[describe]* | 25 | 20 | 5 | 7 |
| | | 13,533 | 15,990 | 648 | 2,269 |

AASB132.60(a), 94(h)(iii) (i) The average credit period on purchases of certain goods from the Netherlands is 13 months. No interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 25. Current borrowings

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **Unsecured** | | | | |
| | **At amortised cost (2004: cost):** | | | | |
| | Bank overdrafts | 520 | 314 | 502 | 212 |
| | Other loans | 3,701 | 3,518 | 3,695 | 3,100 |
| | Bills of exchange | 358 | 374 | - | - |
| AASB124.17(b) | Loans from: | | | | |
| | Key management personnel | - | 948 | - | 948 |
| | Parent entity | - | - | - | - |
| | Entities with joint control or significant influence over the entity | - | - | - | - |
| | Subsidiaries (i) | - | - | 968 | 2,841 |
| | Associates | - | - | | |
| | Joint venture entities | - | - | - | - |
| | Former key management personnel | - | - | - | - |
| | Other related parties (ii) | 12,917 | 13,984 | 74 | 5,354 |
| | | 12,917 | 14,932 | 1,042 | 9,143 |
| | Other *[describe]* | - | - | - | - |
| | | 17,496 | 19,138 | 5,239 | 12,455 |

Source reference

## 25. Current borrowings (cont'd)

| | Source | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| **Secured** | | | | | |
| **At amortised cost (2004: cost):** | | | | | |
| Bank overdrafts (iii) | | 18 | 64 | - | - |
| Bank loans (iii), (iv) | | 14,923 | 16,344 | 8,000 | 9,500 |
| Debentures (iii), (v) | | 1,900 | 1,900 | 1,900 | 1,900 |
| Finance lease liabilities (vi) (note 49) | AASB117.20 | 9 | 54 | - | - |
| Other *[describe]* | | - | - | - | - |
| | | 16,850 | 18,362 | 9,900 | 11,400 |
| | | 34,346 | 37,500 | 15,139 | 23,855 |

(i) Payables from entities within the wholly-owned group include amounts arising under the entity's tax funding arrangement (refer to note 3 for details).
(ii) Held at amortised cost adjusted for hedging losses (refer note 59).
(iii) Relates to the current portion of long-term borrowings.
AASB116.74(a) (iv) Secured by a mortgage over the consolidated entity's freehold land and buildings.
(v) Secured by a floating charge over the consolidated entity's assets.
AASB116.74(a) (vi) Secured by the assets leased.

### Defaults and breaches

AASB132.94(j), 95 With respect to any defaults of principal, interest, sinking fund, or redemption provisions during the period on loans payable (including issued debt instruments and financial liabilities other than short-term trade payables on normal credit terms) recognised as at the reporting date, and any other breaches during the period of loan agreements when those breaches can permit the lender to demand repayment (except for breaches that are remedied, or in response to which the terms of the loan are renegotiated, on or before the reporting date), an entity shall disclose:
(i) details of those breaches;
(ii) the amount recognised as at the reporting date in respect of the loans payable on which the breaches occurred; and
(iii) with respect to amounts disclosed under (ii), whether the default has been remedied or the terms of the loans payable renegotiated before the date the financial report was authorised for issue.

## 26. Other current financial liabilities

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| **At fair value:** | | | | |
| Foreign currency forward contracts | 75 | - | - | - |
| Interest rate swaps (i) | 5 | - | - | - |
| Currency swaps (i) | - | - | - | - |
| Other *[describe]* | | | | |
| | 80 | - | - | - |

(i) There is no requirement to recognise swaps under the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of AASB 139 'Financial Instruments: Recognition and Measurement'). Such swaps are recognised in the current period under AASB 139.

Source reference

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **27. Current provisions** | | | | |
| | Employee benefits | 2,478 | 2,492 | 110 | 92 |
| | Warranty (note 35) | 528 | 295 | - | - |
| | Onerous lease contracts (notes 35 & 49) | 410 | 460 | 2 | 4 |
| | Restructuring and termination costs (note 35) | - | - | - | - |
| | Decommissioning costs (note 35) | - | - | - | - |
| | Other *[describe]* | - | - | - | - |
| | | 3,416 | 3,247 | 112 | 96 |
| | **28. Other current liabilities** | | | | |
| | Deferred gain on foreign currency contracts (i) | - | 5 | - | - |
| UIG3 | Lease incentives (note 49) | 90 | 90 | - | - |
| AASB120.39(b) | Deferred government grants | - | - | - | - |
| | Other *[describe]* | - | - | - | - |
| | | 90 | 95 | - | - |

(i) Deferred gains on foreign currency hedging contracts are recognised as liabilities in the comparative period in accordance with the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of AASB 139 'Financial Instruments: Recognition and Measurement'). Such gains are not recognised as liabilities in the current period under AASB 139, but are deferred in equity or recognised in profit or loss, as appropriate.

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **29. Liabilities directly associated with non-current assets classified as held for sale** | | | | |
| | Discontinued operations (note 55) | 3,684 | - | - | - |
| | Other liabilities | - | - | - | - |
| | | 3,684 | - | - | - |
| | **30. Non-current trade and other payables** | | | | |
| | Trade payables | - | - | - | - |
| | Cash settled share-based payments (note 36) | - | - | - | - |
| AASB111.42(b) | Amounts due to customers under construction contracts (note 38) | - | - | - | - |
| | Other *[describe]* | - | - | - | - |
| | | - | - | - | - |

Source reference

## 31. Non-current borrowings

| | Source reference | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| **Unsecured** | | | | | |
| **At amortised cost (2004: cost):** | | | | | |
| Bills of exchange | | - | 542 | - | - |
| Loans from: | AASB124.17(b) | | | | |
| Key management personnel | | - | - | - | - |
| Parent entity | | - | - | - | - |
| Entities with joint control or significant influence over the entity | | - | - | - | - |
| Subsidiaries | | - | - | 15,038 | 17,083 |
| Associates | | - | - | - | - |
| Joint venture entities | | - | - | - | - |
| Former key management personnel | | - | - | - | - |
| Other related parties | | - | 19,192 | - | - |
| | | - | 19,192 | 15,038 | 17,083 |
| Redeemable cumulative preference shares (i) | | 15,000 | - | 15,000 | - |
| Convertible notes (ii) (note 42) | | 4,144 | - | 4,144 | - |
| Perpetual notes (iii) | | 1,905 | - | 1,905 | - |
| Other *[describe]* | | - | - | - | - |
| | | 21,049 | 19,734 | 36,087 | 17,083 |
| **Secured** | | | | | |
| **At amortised cost (2004: cost):** | | | | | |
| Bank loans (iv) | | 982 | 1,060 | - | - |
| Debentures (v) | | 2,700 | 4,600 | - | - |
| Other loans (iv) | | 575 | 649 | - | - |
| Finance lease liabilities (vi) (note 49) | AASB117.20 | 5 | 35 | - | - |
| Other *[describe]* | | - | - | - | - |
| | | 4,262 | 6,344 | - | - |
| | | 25,311 | 26,078 | 36,087 | 17,083 |

AASB132.60(a) (i) 3,000,000 7% redeemable cumulative preference shares were issued on 1 June 2005 at an issue price of $5.00 per share. The shares are redeemable on 31 May 2008 at $3.20 per share.

AASB132.60(a) (ii) 4,500,000 5.5% convertible notes were issued on 1 September 2005 at an issue price of $1.10 per note. Each note entitles the holder to convert to one ordinary share at a cost of $3.00 per ordinary share. Conversion may occur any time between 1 July 2009 and 31 August 2009. Unconverted notes mature at $1.00 on 1 September 2009.

AASB132.60(a) (iii) 2,500 6% perpetual notes were issued on 27 August 2005 at $1,000 principal value.

AASB116.74(a) (iv) Secured by a mortgage over the consolidated entity's freehold land and buildings.

(v) Secured by a floating charge over the consolidated entity's assets.

AASB116.74(a) (vi) Secured by the assets leased.

### Classification of financial instruments

AASB132.18(a), 64 When the balance sheet presentation of a financial instrument differs from the instrument's legal form, it is desirable for an entity to explain in the notes the nature of the financial instrument.

Source reference

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| **32. Other non-current financial liabilities** | | | | |
| **At fair value:** | | | | |
| Foreign currency forward contracts | - | - | - | - |
| Interest rate swaps (i) | - | - | - | - |
| Currency swaps (i) | - | - | - | - |
| Other *[describe]* | | | | |
| | - | - | - | - |

(i) There is no requirement to recognise swaps under the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of AASB 139 'Financial Instruments: Recognition and Measurement'). Such swaps are recognised in the current period under AASB 139.

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| **33. Non-current provisions** | | | | |
| Employee benefits | 1,794 | 1,896 | 20 | 48 |
| Onerous lease contracts (notes 35 & 49) | 504 | 430 | - | - |
| Restructuring and termination costs (note 35) | - | - | - | - |
| Decommissioning costs (note 35) | - | - | - | - |
| Other *[describe]* | - | - | - | - |
| | 2,298 | 2,326 | 20 | 48 |

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **34. Other non-current liabilities** | | | | |
| | Deferred gain on foreign currency contracts (i) | - | - | - | - |
| UIG115 | Lease incentives (note 49) | 180 | 270 | - | - |
| AASB120.39(b) | Deferred government grants | - | - | - | - |
| | Other *[describe]* | - | - | - | - |
| | | 180 | 270 | - | - |

(i) Deferred gains on foreign currency hedging contracts are recognised as liabilities in the comparative period in accordance with the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of AASB 139 'Financial Instruments: Recognition and Measurement'). Such gains are not recognised as liabilities in the current period under AASB 139, but are deferred in equity or recognised in profit or loss, as appropriate.

Source reference

## 35. Provisions

| Source reference | | Consolidated Warranty (i) $'000 | Consolidated Onerous lease contracts (ii) $'000 | Consolidated Restructuring and termination costs (iii) $'000 | Consolidated Decommis-sioning costs (iv) $'000 |
|---|---|---|---|---|---|
| AASB137.84(a) | Balance at 1 January 2005 | 295 | 890 | - | - |
| AASB137.84(b), AASB101.87(b), (g) | Additional provisions recognised | 338 | 406 | - | - |
| AASB137.84(c) | Reductions arising from payments/other sacrifices of future economic benefits | (90) | (310) | - | - |
| AASB137.84(d), AASB101.87(b), (g) | Reductions resulting from re-measurement or settlement without cost | (15) | (100) | - | - |
| AASB137.60, 84(e) | Unwinding of discount and effect of changes in the discount rate | - | 28 | - | - |
| | Other *[describe]* | - | - | - | - |
| AASB137.84(a) | Balance at 31 December 2005 | 528 | 914 | - | - |
| | Current (note 27) | 528 | 410 | - | - |
| | Non-current (note 33) | - | 504 | - | - |
| | | 528 | 914 | - | - |

| Source reference | | Company Warranty (i) $'000 | Company Onerous lease contracts (ii) $'000 | Company Restructuring and termination costs (iii) $'000 | Company Decommis-sioning costs (iv) $'000 |
|---|---|---|---|---|---|
| AASB137.84(a) | Balance at 1 January 2005 | - | 4 | - | - |
| AASB137.84(b), AASB101.87(b), (g) | Additional provisions recognised | - | 2 | - | - |
| AASB137.84(c) | Reductions arising from payments/other sacrifices of future economic benefits | - | (4) | - | - |
| AASB137.84(d), AASB101.87(b), (g) | Reductions resulting from re-measurement or settlement without cost | - | - | - | - |
| AASB137.84(e) | Unwinding of discount and effect of changes in the discount rate | - | - | - | - |
| | Other *[describe]* | - | - | - | - |
| AASB137.84(a) | Balance at 31 December 2005 | - | 2 | - | - |
| | Current (note 27) | - | 2 | - | - |
| | Non-current (note 33) | - | - | - | - |
| | | - | 2 | - | - |

AASB137.85(a), (b) (i) The provision for warranty claims represents the present value of the directors' best estimate of the future sacrifice of economic benefits that will be required under the consolidated entity's 12-month warranty program for electronic toys. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

Source reference

## 35. Provisions (cont'd)

AASB137.85(a), (b) (ii) The provision for onerous lease contracts represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases range from 3 to 5 years.

AASB137.85(a), (b) (iii) The provision for restructuring and termination costs represents the present value of the directors' best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits. The restructuring is expected to be completed by *[date]*.

AASB137.85(a), (b) (iv) The provision for decommissioning costs represents the present value of the directors' best estimate of the future sacrifice of economic benefits that will be required to remove leasehold improvements from leased property. The estimate has been made on the basis of quotes obtained from removalists. The unexpired term of the leases range from 3 to 5 years.

### Reimbursements

AASB137.85(c) In respect of each class of provision the financial report shall disclose the amount of any related reimbursement, stating the amount of any asset recognised for that expected reimbursement.

### Exemptions

AASB137.92 In extremely rare cases, disclosure of some or all of the information required by Accounting Standard AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Regardless of how sensitive certain information about provisions may be, this exemption from disclosure does not affect the requirement to recognise provisions that satisfy the criteria for recognition set out in AASB 137.

### Contingent liabilities

AASB137.88 Where a provision and a contingent liability arise from the same set of circumstances, the disclosures in the financial report shall be made in such a way to show the link between the provision and the contingent liability.

## 36. Cash settled share-based payments

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| | The aggregate cash settled share-based payment liability recognised and included in the financial statements is as follows: | | | | |
| | Current (note 24) | - | - | - | - |
| | Non-current (note 30) | - | - | - | - |
| AASB2.51(b)(i) | | - | - | - | - |

AASB2.51(b)(ii) At reporting date, the intrinsic value of vested cash settled share-based payments for the company and consolidated entity is *[amount]* (2004: *[amount]*).

Source reference

## 37. Defined benefit superannuation plans

This model financial report assumes that entities will early adopt revised AASB 119 'Employee Benefits' (December 2004) to take advantage of the opportunity to adopt the accounting policy of recognising the actuarial gains and losses of defined benefit post-employment plans, either under the 'corridor' approach or in full directly through retained earnings.

Entities that have not early adopted the revised Accounting Standard shall refer to AASB 119 'Employee Benefits' (July 2004) for the specified disclosures.

AASB119.122

When an entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful. It may be useful to distinguish groupings by criteria such as the following:

(a) the geographical location of the plans, for example, by distinguishing domestic plans from foreign plans; or

(b) whether plans are subject to materially different risks, for example, by distinguishing flat salary pension plans from final salary pension plans and from post-employment medical plans.

When an entity provides disclosures in total for a grouping of plans, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.

AASB119.120A(b)

The consolidated entity operates defined benefit superannuation plans for qualifying employees of its subsidiary DTT Investments Pty Ltd, and previously for employees of DTT Sales Pty Ltd. Under the plans, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

AASB119.52, 121

A general description of the type of plan shall be disclosed. Such a description distinguishes, for example, flat salary pension plans from final salary pension plans and from post-employment medical plans. The description of the plan shall include informal practices that give rise to constructive obligations included in the measurement of the defined benefit obligation. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

AASB119.Aus121.1(a), (b), (d)

The defined benefit superannuation plans are funded plans. The superannuation plans compute their obligations in accordance with Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' which prescribes a different measurement basis to that applied in this financial report. The net surplus determined in the plans' most recent financial report, being the annual reports for the financial year ended 30 June 2005, was $920 thousand (2004: $942 thousand). The plan actuaries have not recommended that additional contributions beyond the current contribution level be made. Funding recommendations are made by the actuaries based on their forecast of various matters, including future plan assets performance, interest rates, and salary increases.

AASB119.Aus121.2

The consolidated entity has a legal liability to make up a deficit in the plans but no legal right to use any surplus in the plans to further its own interests.

AASB119.Aus121.2

An entity shall disclose details of the nature of any asset or liability on the balance sheet, including any legal liability to make up a deficit or the manner in which the employer may benefit from any surplus.

| Source reference | | 2005 % | 2004 % |
|---|---|---|---|
| AASB119.120A(n) | **Key assumptions used (expressed as weighted averages):** | | |
| AASB119.120A(n)(i) | Discount rate(s) | 5.52 | 5.20 |
| AASB119.120A(n)(ii) | Expected return on plan assets | 12.08 | 10.97 |
| AASB119.120A(n)(iv) | Expected rate(s) of salary increase | 5.00 | 5.00 |
| AASB119.120A(n)(iii) | Expected return on reimbursement rights | - | - |
| AASB119.120A(n)(vi) | Other *[describe]* | - | - |

Source reference

## 37. Defined benefit superannuation plans (cont'd)

AASB119.120(n) An entity shall disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables.

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | Amounts recognised in income in respect of these defined benefit plans are as follows: | | | | |
| AASB119.120A(g)(i) | Current service cost | 633 | 572 | - | - |
| AASB119.120A(g)(ii) | Interest cost | 264 | 237 | - | - |
| AASB119.120A(g)(iii) | Expected return on plan assets | (536) | (479) | - | - |
| AASB119.120A(g)(iv) | Expected return on reimbursement rights | - | - | - | - |
| AASB119.120A(g)(v) | Actuarial losses/(gains) | - | - | - | - |
| AASB119.120A(g)(vi) | Past service costs | - | - | - | - |
| AASB119.120A(g)(vii) | Losses/(gains) arising from curtailments or settlements | - | - | - | - |
| AASB119.120A(g)(viii) | Adjustments for restrictions on the defined benefit asset | - | - | - | - |
| AASB119.120A(g) | Total, included in 'employee benefit expense' | 361 | 330 | - | - |

AASB119.120A(g) Entities disclosing expenses by function will need to disclose the line item(s) in which the total expense relating to defined benefit plans is recognised, and may wish to use the following wording as a guide:

'Of the charge for the year, *[amount]* (2004: *[amount]*) has been included in cost of sales and the remainder in administration expenses.'

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB119.120A(h)(i) | Actuarial losses/(gains) incurred during the year and recognised in the statement of recognised income and expense | 235 | 226 | - | - |
| AASB119.120A(h)(ii) | Adjustments recognised in the statement of recognised income and expense for restrictions on the defined benefit asset | - | - | - | - |
| | | 235 | 226 | - | - |
| AASB119.120A(i) | Cumulative actuarial gains and losses recognised in the statement of recognised income and expense | 461 | 226 | - | - |

Source reference

## 37. Defined benefit superannuation plans (cont'd)

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB119.120A(f) | The amount included in the balance sheet arising from the entity's obligations in respect of its defined benefit plans is as follows: | | | | |
| AASB119.120A(d), 120A(p)(i) | Present value of funded defined benefit obligations | 5,380 | 4,788 | - | - |
| AASB119.120A(p)(i) | Fair value of plan assets | (4,872) | (4,436) | - | - |
| | | 508 | 352 | - | - |
| AASB119.120A(d) | Present value of unfunded defined benefit obligations | - | - | - | - |
| AASB119.120A(p)(i) | (Surplus)/deficit | 508 | 352 | - | - |
| AASB119.120A(f)(i) | Net actuarial gains and losses not recognised | - | - | - | - |
| AASB119.120A(f)(ii) | Past service costs not yet recognised | - | - | - | - |
| AASB119.120A(f)(iii) | Restrictions on asset recognised | - | - | - | - |
| AASB119.120A(f)(iv) | Fair value of reimbursement rights recognised as an asset | - | - | - | - |
| AASB119.120A(f)(v) | Other *[describe]* | - | - | - | - |
| | Net liability/(asset) arising from defined benefit obligations | 508 | 352 | - | - |
| | **Included in the balance sheet:** | | | | |
| | Current provision for employee benefits (note 27): | | | | |
| | Defined benefit obligations | 440 | 352 | - | - |
| | Non-current provision for employee benefits (note 33): | | | | |
| | Defined benefit obligations | 68 | - | - | - |
| | Net liability arising from defined benefit obligations | 508 | 352 | - | - |

The amount payable during the next financial year should be included within the current provision. This will not necessarily be the amount that the entity would expense in the next year but the amount it would pay to the various benefit funds.

AASB119.120A(p)(i), Aus160.1

A five year history of the present value of the defined benefit obligation and the surplus or deficit in the plan shall be disclosed. This information may be disclosed as the amounts are determined for each annual reporting period prospectively from the first annual reporting period presented in the financial report in which the revised AASB 119 is first applied.

### Offsetting defined benefit assets against defined benefit liabilities

AASB119.116

An entity shall offset an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

**Source reference**

## 37. Defined benefit superannuation plans (cont'd)

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB119.120A(c) | Movements in the present value of the defined benefit obligations in the current period were as follows: | | | | |
| | Opening defined benefit obligation | 4,788 | 4,564 | - | - |
| AASB119.120A(c)(i) | Current service cost | 633 | 572 | - | - |
| AASB119.120A(c)(ii) | Interest cost | 264 | 237 | - | - |
| AASB119.120A(c)(iii) | Contributions from plan participants | - | - | - | - |
| AASB119.120A(c)(iv) | Actuarial losses/(gains) | 455 | 135 | - | - |
| AASB119.120A(c)(vii) | Past service cost | - | - | - | - |
| AASB119.120A(c)(ix) | Losses/(gains) on curtailments | - | - | - | - |
| AASB119.120A(c)(x) | Liabilities extinguished on settlements | - | - | - | - |
| AASB119.120A(c)(viii) | Liabilities assumed in a business combination | - | - | - | - |
| AASB119.120A(c)(v) | Exchange differences on foreign plans | - | - | - | - |
| AASB119.120A(c)(vi) | Benefits paid | (760) | (720) | - | - |
| | Other *[describe]* | - | - | - | - |
| | Closing defined benefit obligation | 5,380 | 4,788 | - | - |
| AASB119.120A(e) | Movements in the present value of the plan assets in the current period were as follows: | | | | |
| | Opening fair value of plan assets | 4,436 | 4,368 | - | - |
| AASB119.120A(e)(i) | Expected return on plan assets | 536 | 479 | - | - |
| AASB119.120A(e)(ii) | Actuarial gains/(losses) | 220 | (91) | - | - |
| AASB119.120A(e)(iii) | Exchange differences on foreign plans | - | - | - | - |
| AASB119.120A(e)(iv) | Contributions from the employer | 440 | 400 | - | - |
| AASB119.120A(e)(v) | Contributions from plan participants | - | - | - | - |
| AASB119.120A(e)(vi) | Benefits paid | (760) | (720) | - | - |
| AASB119.120A(e)(vii) | Assets acquired in a business combination | - | - | - | - |
| AASB119.120A(e)(viii) | Assets distributed on settlements | - | - | - | - |
| | Other *[describe]* | - | - | - | - |
| AASB119.120A(p)(i) | Closing fair value of plan assets | 4,872 | 4,436 | - | - |

AASB119.120A(e) A similar reconciliation shall be disclosed reconciling the opening and closing balances of any reimbursement rights recognised as an asset in accordance with AASB 119.

AASB119.120A(p), Aus160.1 A five year history of the present value of the fair value of the plan assets shall be disclosed. This information may be disclosed as the amounts are determined for each annual reporting period prospectively from the first annual reporting period presented in the financial report in which the revised AASB 119 is first applied.

AASB119.120A(m) The actual return on plan assets was $720 thousand (2004: $354 thousand).

AASB119.120A(m) The actual return on reimbursement rights shall also be disclosed.

AASB119.120A(q), Aus121.1(c) The consolidated entity expects to make a contribution of $440 thousand (2004: $440 thousand) to the defined benefit plans during the next financial year. The 'entity age normal' funding method was used to determine the contribution rates.

Source reference

## 37. Defined benefit superannuation plans (cont'd)

AASB119.120A(j), (l) The analysis of the plan assets and the expected rate of return at the balance sheet date is as follows:

| | Expected return | | Fair value of plan assets | |
|---|---|---|---|---|
| | 2005 % | 2004 % | 2005 $'000 | 2004 $'000 |
| Equity instruments | 15.01 | 12.03 | 1,026 | 986 |
| Debt instruments | 9.59 | 7.49 | 1,980 | 1,850 |
| Property | 12.21 | 12.76 | 1,866 | 1,600 |
| Other assets *[describe]* | - | - | - | - |
| Weighted average expected return | 12.08 | 10.97 | 4,872 | 4,436 |

AASB119.120A(l) The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

AASB119.120A(k) The plan assets include ordinary shares of DTT Consolidated Limited with a fair value of $380 thousand (2004: $252 thousand) and property occupied by a subsidiary of DTT Consolidated Limited with a fair value of $622 thousand (2004: $620 thousand).

An entity shall disclose the following in relation to plan assets:

AASB119.120A(j) (i) the percentage or amount that each major category of plan assets constitutes of the fair value of the total plan assets;

AASB119.120A(k) (ii) the amounts included in the fair value of plan assets for each category of the entity's own financial instruments and for any property occupied by, or other assets used by, the entity; and

AASB119.120A(l) (iii) a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets.

The history of experience adjustments is as follows:

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| AASB119.120A(p)(ii)(A) | Experience adjustments on plan liabilities | 455 | 135 | - | - |
| AASB119.120A(p)(ii)(B) | Experience adjustments on plan assets | 220 | (91) | - | - |

AASB119.120A(p), Aus160.1 A five year history of the various experience adjustments shall be disclosed. This information may be disclosed as the amounts are determined for each annual reporting period prospectively from the first annual reporting period presented in the financial report in which the revised AASB 119 is first applied.

AASB119.120A(p)(ii) Experience adjustments may be expressed either as an amount, or as a percentage of the plan assets or plan liabilities, as appropriate, at the reporting date.

### Plan assets

AASB119.7 Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

AASB119.7 Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the entity) that:

(a) are held by an entity (a fund) that is legally separate from the entity and exists solely to pay or fund employee benefits; and

(b) are available to be used only to pay or fund employee benefits, are not available to the entity's own creditors (even in bankruptcy), and cannot be returned to the entity, unless either:

  (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the entity; or

Source reference

## 37. Defined benefit superannuation plans (cont'd)

(ii) the assets are returned to the entity to reimburse it for employee benefits already paid.

AASB119.7 A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in Accounting Standard AASB 124 'Related Party Disclosures' of the entity, if the proceeds of the policy:

(a) can be used only to pay or fund employee benefits under a defined benefit plan; and
(b) are not available to the entity's own creditors (even in bankruptcy) and cannot be paid to the entity, unless either:
  (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
  (ii) the proceeds are returned to the entity to reimburse it for employee benefits already paid.

### Post-employment medical benefits plans

Companies with post-employment medical benefit plans shall also disclose:

AASB119.120A(n)(v) (a) the assumed medical cost trend rates, together with the other key assumptions used;
AASB119.120A(o) (b) the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:
  (i) the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and
  (ii) the accumulated post-employment benefit obligation for medical costs.

For the purpose of this disclosure, all other assumptions shall be held constant.

### Multi-employer plans

AASB119.7 Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:

(a) pool the assets contributed by various entities that are not under common control; and
(b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

AASB119.33, 34 Multi-employer plans are distinct from group administration plans. Also, defined benefit plans that share risks between various entities under common control, for example, a parent and its subsidiaries, are not multi-employer plans.

AASB119.31 An example of a defined benefit multi-employer plan is a plan financed on a pay-as-you-go basis such that contributions are set at a level that is expected to be sufficient to pay the benefits falling due in the same period and future benefits earned during the current period will be paid out of future contributions, and where employees' benefits are determined by the length of their service and the participating entities have no realistic means of withdrawing from the plan without paying a contribution for the benefits earned by employees up to the date of withdrawal.

AASB119.30 When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall account for the plan as though it were a defined contribution plan and disclose in addition to the disclosures illustrated in these model financial statements:

(a) the fact that the plan is a defined benefit plan; and
(b) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and
(c) to the extent that a surplus or deficit in the plan may affect the amount of future contributions:
  (i) any available information about that surplus or deficit;
  (ii) the basis used to determine that surplus or deficit; and
  (iii) the implications, if any, for the entity.

**Source reference**

## 38. Construction contracts

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB111.40(a) | Construction work in progress | 1,517 | 1,386 | - | - |
| | Progress billings and advances received (i) | (1,397) | (1,286) | - | - |
| AASB111.40(b) | Advances received | 84 | 115 | - | - |
| | Progress billings | (1,313) | (1,171) | - | - |
| | | 204 | 215 | - | - |
| | Recognised and included in the financial statements as amounts due: | | | | |
| AASB111.42(a) | From customers under construction contracts: | | | | |
| | Current (note 7) | 240 | 230 | - | - |
| | Non-current (note 12) | - | - | - | - |
| AASB111.42(b) | To customers under construction contracts: | | | | |
| | Current (note 26) | (36) | (15) | - | - |
| | Non-current (note 30) | - | - | - | - |
| | | 204 | 215 | - | - |
| AASB111.40(c) | (i) Retentions included in progress billings | 55 | 68 | - | - |

## 39. Capitalised borrowing costs

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB123.29(b) | Borrowing costs capitalised during the financial year | 11 | 27 | - | - |
| AASB123.29(c) | Weighted average capitalisation rate on funds borrowed generally | 8.0% | 7.5% | - | - |

AASB123.17, 21

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditures on that asset. The average carrying amount of the qualifying asset during a period, including borrowing costs previously capitalised, is normally a reasonable approximation of the expenditures to which the capitalisation rate is applied in that period.

## 40. Other asset and liability disclosures

AASB101.52

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

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

**Source reference**

## 41. Issued capital

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.76(a)(ii) | 14,844,000 fully paid ordinary shares (2004: 20,130,000) | 29,807 | 45,797 | 29,807 | 45,797 |
| AASB101.76(a)(ii) | 2,500,000 partly paid ordinary shares (2004: 2,500,000) | 1,775 | 1,775 | 1,775 | 1,775 |
| AASB101.76(a)(ii) | 1,100,000 fully paid 10% converting cumulative non-participating preference shares (2004: 1,100,000) | 1,100 | 1,100 | 1,100 | 1,100 |
| AASB101.76(a)(ii) | 100,000 fully paid converting non-participating preference shares | 95 | - | 95 | - |
| | | 32,777 | 48,672 | 32,777 | 48,672 |

AASB101.76(a)(iii) Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

AASB101.76(a)(i) An entity shall disclose either on the face of the balance sheet or in the notes to the financial statements, for each class of share capital, the number of shares authorised, if any.

| Source reference | | 2005 No. '000 | 2005 $'000 | 2004 No. '000 | 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.97(c) | **Fully paid ordinary shares** | | | | |
| AASB101.76(a)(iv) | Balance at beginning of financial year | 20,130 | 45,797 | 20,130 | 45,797 |
| AASB101.76(a)(iv) | Issue of shares under executive share option plan (note 5) | 314 | 314 | - | - |
| AASB101.76(a)(iv) | Transfer from employee equity-settled benefits reserve (note 42) | - | 338 | - | - |
| AASB101.76(a)(iv) | Issue of shares for consulting services (i) | 3 | 8 | - | - |
| AASB101.76(a)(iv), 97(a) | Share buy-back | (5,603) | (16,650) | - | - |
| AASB101.76(a)(iv) | Balance at end of financial year | 14,844 | 29,807 | 20,130 | 45,797 |

AASB101.76(a)(v) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

AASB2.48 (i) The fair value was determined by reference to the going market rate for similar consulting services.

AASB2.49 If an entity is not able to estimate reliably the fair value of the goods or services received from parties other than employees, it shall disclose this fact, and give an explanation of why it was unable to do so.

| Source reference | | 2005 No. '000 | 2005 $'000 | 2004 No. '000 | 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.97(c) | **Partly paid ordinary shares** | | | | |
| AASB101.76(a)(iv) | Balance at beginning of financial year | 2,500 | 1,775 | 2,500 | 1,775 |
| AASB101.76(a)(iv) | Movements *[describe]* | - | - | - | - |
| AASB101.76(a)(iv) | Balance at end of financial year | 2,500 | 1,775 | 2,500 | 1,775 |

AASB101.76(a)(v) Partly paid ordinary shares carry one vote per share but do not carry the right to dividends.

| Source reference | | 2005 No. '000 | 2005 $'000 | 2004 No. '000 | 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.97(c) | **Converting cumulative non-participating preference shares** | | | | |
| AASB101.76(a)(iv) | Balance at beginning of financial year | 1,100 | 1,100 | 1,100 | 1,100 |
| AASB101.76(a)(iv) | Movements *[describe]* | - | - | - | - |
| AASB101.76(a)(iv) | Balance at end of financial year | 1,100 | 1,100 | 1,100 | 1,100 |

AASB101.76(a)(v) Converting cumulative non-participating preference shares convert into ordinary shares on a one for one basis and are due for conversion on 30 September 2008. Converting cumulative non-participating preference shares have no right to share in any surplus assets or profits.

Source reference

## 41. Issued capital (cont'd)

| Source reference | | 2005 No. '000 | 2005 $'000 | 2004 No. '000 | 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.97(c) | **Converting non-participating preference shares** | | | | |
| AASB101.76(a)(iv) | Balance at beginning of financial year | - | - | - | - |
| AASB101.76(a)(iv) | Issue of shares | 100 | 100 | - | - |
| AASB101.76(a)(iv) | Share issue costs | - | (5) | - | - |
| AASB101.76(a)(iv) | Balance at end of financial year | 100 | 95 | - | - |

AASB101.76(a)(v) Converting non-participating preference shares convert into ordinary shares on a one for one basis and are due for conversion on 1 November 2010. Converting non-participating preference shares have no right to share in any surplus assets or profits.

**Share options**

AASB101.76(a)(vii) In accordance with the provisions of the executive share option plan, as at 31 December 2004, executives have options over 290,000 ordinary shares, in aggregate, with 140,000 of those options expiring 31 March 2005, and the remainder expiring on 30 September 2005. As at 31 December 2005, executives have options over 196,000 ordinary shares (of which 60,000 are unvested), in aggregate, with 136,000 of those options expiring on 31 March 2006, and the remainder expiring on 30 September 2006.

Executive share options carry no rights to dividends and no voting rights. Further details of the executive share option plan are contained in note 5 to the financial statements.

### Shares reserved for issue

AASB101.76(a)(vii) An entity shall disclose, for each class of share capital, shares reserved for issue under contracts for the sale of shares, including the terms and amounts.

### Shares held by subsidiaries or associates

AASB101.76(vi) Where a subsidiary or associate holds shares in the entity, the number of shares held shall be disclosed.

### Disclosures by entities without share capital

AASB101.77 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that illustrated above, showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

## 42. Reserves

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | General | 807 | 807 | 807 | 807 |
| | Asset revaluation | 1,147 | 1,150 | 1 | 1 |
| AASB121.52(b) | Foreign currency translation | 194 | 250 | - | - |
| | Employee equity-settled benefits | 206 | 338 | 206 | 338 |
| | Available-for-sale revaluation | 186 | - | 57 | - |
| | Hedging | 1,167 | - | - | - |
| | Option premium on convertible notes | 592 | - | 592 | - |
| | Other *[describe]* | - | - | - | - |
| | | 4,299 | 2,545 | 1,663 | 1,146 |

Source reference

## 42. Reserves (cont'd)

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.97(c) | **General reserve** | | | | |
| | Balance at beginning of financial year | 807 | 807 | 807 | 807 |
| | Movements *[describe]* | - | - | - | - |
| | Balance at end of financial year | 807 | 807 | 807 | 807 |

AASB101.76(b) The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.97(c) | **Asset revaluation reserve** | | | | |
| AASB116.77(f) | Balance at beginning of financial year | 1,150 | - | 1 | - |
| | Revaluation increments/(decrements) | - | 1,643 | - | 2 |
| AASB136.126(c) | Impairment losses | - | - | - | - |
| AASB136.126(d) | Reversals of impairment losses | - | - | - | - |
| | Deferred tax liability arising on revaluation | - | (493) | - | (1) |
| | Reversal of deferred tax liability on revaluation | - | - | - | - |
| | Transferred to retained earnings | (3) | - | - | - |
| | Transferred to equity relating to non-current assets classified as held for sale | - | - | - | - |
| | Other movements *[describe]* | - | - | - | - |
| | Balance at end of financial year | 1,147 | 1,150 | 1 | 1 |

AASB101.76(b), 77(f) The asset revaluation reserve arises on the revaluation of land and buildings. Where a revalued land or building is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits. The reserve can be used to pay dividends only in limited circumstances.

AASB116.41 The asset revaluation reserve included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

AASB116.77(f) The financial report shall disclose any restrictions on the distribution of the balance of the asset revaluation reserve to shareholders.

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.97(c) | **Foreign currency translation reserve** | | | | |
| AASB121.52(b) | Balance at beginning of financial year | 250 | - | - | - |
| AASB121.52(b) | Translation of foreign operations | 40 | 357 | - | - |
| AASB121.52(b) | Deferred tax arising from translation | (12) | (107) | - | - |
| AASB121.52(b) | Disposal of foreign subsidiary | (120) | - | - | - |
| AASB121.52(b) | Reversal of deferred tax on disposal | 36 | - | - | - |
| AASB121.52(b) | Other movement *[describe]* | - | - | - | - |
| AASB121.52(b) | Balance at end of financial year | 194 | 250 | - | - |

AASB121.53, AASB101.76(b) Exchange differences relating to the translation from US dollars, being the functional currency of the consolidated entity's foreign controlled entities in the USA, into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

### Disposal of a foreign operation

AASB121.48 On the disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation shall be recognised in profit or loss when the gain or loss on disposal is recognised.

Source reference

## 42. Reserves (cont'd)

AASB1.22 Where a first-time adopter has used the exemption to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to A-IFRS, the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to A-IFRS and shall include later translation differences only.

**Presentation currency and functional currency**

AASB121.Aus53.1 When the presentation currency is different from the Australian currency, the entity shall disclose the reason and justification for not using the Australian currency.

AASB121.54 When there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed.

AASB121.55, 57 When an entity presents its financial statements in a currency that is different from its functional currency, it shall describe the financial statements as complying with A-IFRS only if they comply with all the requirements of each applicable Accounting Standard and each applicable Interpretation of those Accounting Standards. When an entity displays its financial statements or other financial information in a currency that is different from either its functional currency or its presentation currency and these requirements are not met, it shall:

(a) clearly identify the information as supplementary information to distinguish it from the information that complies with A-IFRS;

(b) disclose the currency in which the supplementary information is displayed; and

(c) disclose the entity's functional currency and the method of translation used to determine the supplementary information.

| Source reference | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| AASB101.97(c) | **Employee equity-settled benefits reserve** | | | | |
| | Balance at beginning of financial year | 338 | - | 338 | - |
| | Share-based payment | 206 | 338 | 206 | 338 |
| | Transfer to share capital | (338) | - | (338) | - |
| | Other movement *[describe]* | - | - | - | - |
| | Balance at end of financial year | 206 | 338 | 206 | 338 |

AASB101.76(b) The employee equity-settled benefits reserve arises on the grant of share options to executives under the executive share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 5 to the financial statements.

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.97(c) | **Available-for-sale revaluation reserve** | | | | |
| | Balance at beginning of financial year | - | - | - | - |
| | Adjustments on adoption of accounting policies specified by AASB 132 and AASB 139 (refer note 1(ae)) | 120 | - | 74 | - |
| | Restated balance at beginning of financial year | 120 | - | 74 | - |
| AASB132.94(h)(ii) | Valuation gain/(loss) recognised | 94 | - | (24) | - |
| AASB132.94(h)(ii) | Cumulative (gain)/loss transferred to the income statement on sale of financial assets | - | - | - | - |
| AASB132.94(h)(ii) | Cumulative (gain)/loss transferred to the income statement on impairment of financial assets | - | - | - | - |
| | Deferred tax arising on revaluation | (28) | - | 7 | - |
| | Other *[describe]* | - | - | - | - |
| | Balance at end of financial year | 186 | - | 57 | - |

Source reference

## 42. Reserves (cont'd)

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

| Source reference | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| AASB101.97(c) | **Hedging reserve** | | | | |
| | Balance at beginning of financial year | - | - | - | - |
| | Adjustments on adoption of accounting policies specified by AASB 132 and AASB 139 (refer note 1(ae)) | 94 | - | - | - |
| | Restated balance at beginning of financial year | 94 | - | - | - |
| AASB132.59(a) | Gain/(loss) recognised: | | | | |
| | Forward exchange contracts | (100) | - | - | - |
| | Interest rate swaps | 1,591 | - | - | - |
| | Currency swaps | 182 | - | - | - |
| | Transferred to profit or loss: | | | | |
| | Forward exchange contracts | - | - | - | - |
| | Interest rate swaps | (230) | - | - | - |
| | Currency swaps | (100) | - | - | - |
| | Transferred to initial carrying amount of hedged item: | | | | |
| | Forward exchange contracts | 87 | - | - | - |
| | Deferred tax arising on hedges | (357) | | | |
| | Other *[describe]* | - | - | - | - |
| | Balance at end of financial year | 1,167 | - | - | - |

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

AASB132.58(d) A description of any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur shall be disclosed.

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.97(c) | **Option premium on convertible notes** | | | | |
| | Balance at beginning of financial year | - | - | - | - |
| | Issue of convertible notes | 834 | - | 834 | - |
| | Related deferred tax liability | (242) | - | (242) | - |
| | Balance at end of financial year | 592 | - | 592 | - |

AASB101.76(b) Option premium on convertible notes represents the conversion rights relating to the 4,500,000 5.5% convertible notes. Each note entitles the holder to convert to one ordinary share at a cost of $3.00 per ordinary share. Conversion may occur at any time between 1 July 2009 and 31 August 2009. Unconverted notes mature at $1.00 on 1 September 2009.

Source reference

## 43. Retained earnings

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.97(b) | Balance at beginning of financial year | 94,798 | 73,941 | 23,703 | 17,756 |
| | Adjustments on adoption of accounting policies specified by AASB 132 and AASB 139 (refer note 1(ae)) | 29 | - | 16 | - |
| | Restated balance at beginning of financial year | 94,827 | 73,941 | 23,719 | 17,756 |
| AASB101.97(b) | Net profit attributable to members of the parent entity | 22,552 | 27,569 | 13,891 | 12,426 |
| AASB101.97(a), (b) | Dividends provided for or paid (note 46) | (6,635) | (6,479) | (6,635) | (6,479) |
| AASB101.97(a), (b) | Share buy-back | (555) | - | (555) | - |
| AASB101.97(b) | Actuarial gains/(losses) (note 37) | (235) | (226) | - | - |
| AASB101.97(b) | Deferred tax recognised directly in equity | 2 | (7) | | |
| AASB101.97(b) | Transfer from asset revaluation reserve | 3 | - | - | - |
| AASB101.97(b) | Other appropriations *[describe]* | - | - | - | - |
| AASB101.97(b) | Balance at end of financial year | 109,959 | 94,798 | 30,420 | 23,703 |

## 44. Amounts recognised directly in equity relating to non-current assets classified as held for sale

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| Discontinued operations (note 55) | - | - | - | - |
| Other *[describe]* | - | - | - | - |
| | - | - | - | - |

AASB5.38 An entity shall present separately any cumulative income or expense recognised directly in equity relating to a non-current asset (or disposal group) classified as held for sale.

## 45. Earnings per share

AASB133.Aus1.1(a), Aus1.1(b) The disclosure of earnings per share is only required for:

- reporting entities with listed ordinary shares; and
- reporting entities that have on issue ordinary shares and are in the process of listing.

AASB133.Aus1.1(c) Where an entity that is not required to disclose earnings per share chooses to do so, it shall calculate and disclose earnings per share in accordance with the requirements of Accounting Standard AASB 133 'Earnings per Share'.

AASB133.4 When an entity presents both consolidated financial statements and separate financial statements, the earnings per share disclosures need be presented only on the basis of the consolidated information. An entity that chooses to disclose earnings per share based on its separate financial statements shall present such earnings per share information only on the face of its separate income statement. An entity shall not present such earnings per share information in the consolidated financial statements.

Accordingly, entities who present their parent entity financial statements together with their consolidated financial statements shall not present earnings per share disclosures based on those parent entity financial statements in the consolidated financial statements.

Source reference

## 45. Earnings per share (cont'd)

| Source reference | | Consolidated 2005 Cents per share | Consolidated 2004 Cents per share |
|---|---|---|---|
| | **Basic earnings per share:** | | |
| AASB133.66 | From continuing operations | 66.4 | 82.8 |
| AASB133.68 | From discontinued operations | 38.8 | 47.1 |
| | Total basic earnings per share | 105.2 | 129.9 |
| | **Diluted earnings per share:** | | |
| AASB133.66 | From continuing operations | 59.6 | 74.7 |
| AASB133.68 | From discontinued operations | 34.8 | 42.5 |
| | Total diluted earnings per share | 94.4 | 117.2 |

AASB133.66, 69 An entity shall present on the face of the income statement, even if the amounts are negative (a loss per share), basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary equity holders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period. An entity shall present basic and diluted earnings per share with equal prominence for all periods presented.

AASB133.68 An entity that reports a discontinued operation shall disclose the basic and diluted amounts per share for the discontinued operation either on the face of the income statement or in the notes to the financial statements.

**Basic earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| Source reference | | 2005 $'000 | 2004 $'000 |
|---|---|---|---|
| AASB133.70(a) | Earnings (a) | 22,552 | 27,569 |
| AASB133.70(a) | Earnings from continuing operations (a) | 14,242 | 17,574 |

| Source reference | | 2005 No.'000 | 2004 No.'000 |
|---|---|---|---|
| AASB133.70(b) | Weighted average number of ordinary shares for the purposes of basic earnings per share | 21,438 | 21,233 |

AASB133.23 Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are included in the calculation of basic earnings per share from the date the contract is entered into.

AASB133.70(a) (a) Earnings used in the calculation of total basic earnings per share and basic earnings per share from continuing operations reconciles to net profit in the income statement as follows:

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 |
|---|---|---|
| Net profit | 22,552 | 27,569 |
| Other *[describe]* | - | - |
| Earnings used in the calculation of basic EPS | 22,552 | 27,569 |
| Adjustments to exclude profit for the period from discontinued operations | (8,310) | (9,995) |
| Other *[describe]* | - | - |
| Earnings used in the calculation of basic EPS from continuing operations | 14,242 | 17,574 |

Source reference

## 45. Earnings per share (cont'd)

AASB133.70(a) The reconciliation shall include the individual effect of each class of instruments that affects basic earnings per share.

**Diluted earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

| Source reference | | 2005 $'000 | 2004 $'000 |
|---|---|---|---|
| AASB133.70(a) | Earnings (a) | 22,552 | 27,569 |
| AASB133.70(a) | Earnings from continuing operations (a) | 14,242 | 17,574 |

| Source reference | | 2005 No. '000 | 2004 No. '000 |
|---|---|---|---|
| AASB133.70(b) | Weighted average number of ordinary shares for the purposes of diluted earnings per share (b), (c), (d) | 23,901 | 23,522 |

AASB133.72 Financial instruments and other contracts generating potential ordinary shares may incorporate terms and conditions that affect the measurement of basic and diluted earnings per share. These terms and conditions may determine whether any potential ordinary shares are dilutive and, if so, the effect on the weighted average number of shares outstanding and any consequent adjustments to profit or loss attributable to ordinary equity holders. The disclosure of the terms and conditions of such financial instruments and other contracts is encouraged, if not otherwise already disclosed in accordance with Accounting Standard AASB 132 'Financial Instruments: Disclosure and Presentation'.

AASB133.70(a) (a) Earnings used in the calculation of total diluted earnings per share and diluted earnings per share from continuing operations reconciles to net profit in the income statement as follows:

| | 2005 $'000 | 2004 $'000 |
|---|---|---|
| Net profit | 22,552 | 27,569 |
| Other *[describe]* | - | - |
| Earnings used in the calculation of diluted EPS | 22,552 | 27,569 |
| Adjustments to exclude profit for the period from discontinued operations | (8,310) | (9,995) |
| Other *[describe]* | - | - |
| Earnings used in the calculation of diluted EPS from continuing operations | 14,242 | 17,574 |

AASB133.70(a) The reconciliation shall include the individual effect of each class of instruments that affects diluted earnings per share.

Source reference

## 45. Earnings per share (cont'd)

AASB133.70(b)

(b) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

| | Consolidated 2005 No. '000 | 2004 No. '000 |
|---|---|---|
| Weighted average number of ordinary shares used in the calculation of basic EPS | 21,438 | 21,233 |
| Shares deemed to be issued for no consideration in respect of: | | |
| Employee options | 193 | 85 |
| Partly-paid ordinary shares | 2,260 | 2,204 |
| Convertible notes | 10 | - |
| Other *[describe]* | - | |
| Weighted average number of ordinary shares used in the calculation of diluted EPS | 23,901 | 23,522 |

AASB133.70(b)

The reconciliation shall include the individual effect of each class of instruments that affects diluted earnings per share.

AASB133.70(c)

(c) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

| | 2005 No. '000 | 2004 No. '000 |
|---|---|---|
| Other *[describe]* | - | - |
| | - | - |

AASB133.Aus70.1

(d) Weighted average number of converted, lapsed, or cancelled potential ordinary shares included in the calculation of diluted earnings per share:

| | 2005 No. '000 | 2004 No. '000 |
|---|---|---|
| Options to purchase ordinary shares pursuant to the executive share option plan | 86 | - |
| Other *[describe]* | - | - |
| | 86 | - |

### Ordinary shares and potential ordinary shares transactions occurring after reporting date

AASB133.70(d)

A description of ordinary share transactions or potential ordinary shares transactions, other than those adjusted for retrospectively (refer below), that occur after the reporting date and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period shall be disclosed.

### Restatement of earnings per share

AASB133.64

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting date but before the financial report is authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed.

Source reference

## 45. Earnings per share (cont'd)

AASB133.64, 65

Basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively. Diluted earnings per share of any prior period presented are not restated for changes in the assumptions used in earnings per share calculations or for the conversion of potential ordinary shares into ordinary shares.

### Use of alternative earnings figures

AASB133.73

If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the income statement other than one required by AASB 133, such amounts shall be calculated using the weighted average number of ordinary shares determined in accordance with AASB 133. Basic and diluted amounts per share relating to such a component shall be disclosed with equal prominence and presented in the notes to the financial statements. An entity shall indicate the basis on which the numerator(s) is (are) determined, including whether amounts per share are before tax or after tax. If a component of the income statement is used that is not reported as a line item in the income statement, a reconciliation shall be provided between the component used and a line item that is reported in the income statement.

### Use of alternative weighted average number of shares

AASB133.Aus63.1

When, and only when, an entity has undergone a major capital restructuring during the reporting period, the entity shall disclose an additional basic earnings per share and, where applicable, diluted earnings per share, using an alternative denominator where this is considered by the entity to provide more meaningful information.

Where, in addition to the denominator required by AASB 133, an alternative earnings per share figure is determined using a different denominator, the following disclosure requirements apply:

AASB133.Aus63.3 (a) basic and diluted earnings per share using the alternative denominator shall be disclosed with less prominence than per share amounts calculated in accordance with AASB 133;

AASB133.Aus63.4 (b) basic and diluted earning per share using the alternative denominator shall be disclosed with equal prominence; and

AASB133.Aus63.5 (c) the alternative denominator used shall be disclosed along with the reasons why it is believed to give a more meaningful earnings per share figure.

### Comparative information

AASB133.67

Earnings per share is presented for every period for which an income statement is presented.

## 46. Dividends

| Source reference | | 2005 Cents per share | 2005 Total $'000 | 2004 Cents per share | 2004 Total $'000 |
|---|---|---|---|---|---|
| | <u>**Recognised amounts**</u> | | | | |
| | **Fully paid ordinary shares** | | | | |
| AASB101.Aus126.4 | Interim dividend: | | | | |
| | Franked to 30% (Prior year: 30%) | 17.85 | 2,618 | 12.71 | 2,559 |
| AASB101.Aus126.4 | Final dividend: | | | | |
| | Franked to 30% (Prior year: 30%) | 19.36 | 3,897 | 18.88 | 3,800 |
| AASB101.95 | | 37.21 | 6,515 | 31.59 | 6,359 |
| | **Converting cumulative non-participating preference shares** | | | | |
| AASB101.95, Aus126.4 | Final dividend: | | | | |
| | Franked to 30% (Prior year: 30%) | 10.00 | 110 | 10.00 | 110 |
| | **Converting non-participating preference shares** | | | | |
| AASB101.95, Aus126.4 | Final dividend: | | | | |
| | Franked to 30% (Prior year: 30%) | 10.00 | 10 | 10.00 | 10 |

**Source reference**

## 46. Dividends (cont'd)

| Source reference | | 2005 Cents per share | 2005 Total $'000 | 2004 Cents per share | 2004 Total $'000 |
|---|---|---|---|---|---|
| | **Unrecognised amounts** | | | | |
| | **Fully paid ordinary shares** | | | | |
| AASB101.125(a) | Final dividend | | | | |
| | Franked to 30% (Prior year: 30%) | 26.31 | 3,905 | 19.36 | 3,897 |

AASB101.95 — An entity shall disclose, either on the face of the income statement or the statement of changes in equity, or in the notes, the amount of dividends recognised as distributions to equity holders during the period, and the related amount per share.

| Source reference | | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|
| AASB101.Aus126.5 | Adjusted franking account balance | 13,760 | 12,767 |
| | Impact on franking account balance of dividends not recognised | (1,172) | (1,169) |
| AASB112.81(i) | Income tax consequences of unrecognised dividends | - | - |

AASB101.Aus126.5 — The balance of the franking account to be disclosed shall include:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

AASB101.Aus126.5 — AASB 101 requires disclosure of the franking account balance only for the parent entity in the financial report of a consolidated entity. However, where considered appropriate the balance attributable to the consolidated entity can be disclosed.

AASB101.Aus126.6 — An entity shall disclose in the notes to the financial statements the impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period.

### Cumulative preference dividends not recognised

AASB101.125(b) — An entity shall disclose in the notes to the financial statements the amount of any cumulative preference dividends not recognised.

### Income tax consequences of dividends

AASB112.65A — When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders, i.e. a withholding tax. Such an amount paid or payable to taxation authorities is charged to equity as part of the dividends.

Source reference

## 47. Commitments for expenditure

AASB101.Aus126.7, AASB128.Aus37.1(d)(ii), AASB131.Aus57.3(d)

Capital commitments and other expenditure commitments contracted for as at reporting date do not require disclosure where the commitments are for the supply of inventories or have been recognised as liabilities in the balance sheet.

| Source reference | | | Consolidated | | Company | |
|---|---|---|---|---|---|---|
| | | | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| AASB101.Aus126.7 | (a) | **Capital expenditure commitments** | | | | |
| | | Plant and equipment | | | | |
| | | Not longer than 1 year | 4,782 | 5,812 | 26 | 70 |
| | | Longer than 1 year and not longer than 5 years | 74 | 198 | - | - |
| | | Longer than 5 years | - | - | - | - |
| AASB116.74(c) | | | 4,856 | 6,010 | 26 | 70 |
| | | Investment property | | | | |
| | | Not longer than 1 year | 860 | - | - | - |
| | | Longer than 1 year and not longer than 5 years | - | - | - | - |
| | | Longer than 5 years | - | - | - | - |
| AASB140.75(h) | | | 860 | - | - | - |
| | | Intangible assets | | | | |
| | | Not longer than 1 year | - | - | - | - |
| | | Longer than 1 year and not longer than 5 years | - | - | - | - |
| | | Longer than 5 years | - | - | - | - |
| AASB138.122(e) | | | - | - | - | - |
| | | Consolidated entity's share of associates' capital expenditure commitments | | | | |
| | | Not longer than 1 year | 427 | 357 | - | - |
| | | Longer than 1 year and not longer than 5 years | - | - | - | - |
| | | Longer than 5 years | - | - | - | - |
| AASB128.Aus37.1(d)(i) | | | 427 | 357 | - | - |
| | | Consolidated entity's share of jointly controlled entities' capital commitments | | | | |
| | | Not longer than 1 year | 110 | 20 | - | - |
| | | Longer than 1 year and not longer than 5 years | - | - | - | - |
| | | Longer than 5 years | - | - | - | - |
| AASB131.55 | | | 110 | 20 | - | - |

AASB117.47, 56

**(b) Lease commitments**

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 49 to the financial statements.

**Source reference**

## 47. Commitments for expenditure (cont'd)

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB101.Aus126.7 | **(c) Other expenditure commitments** | | | | |
| | <u>Investment property</u> | | | | |
| | Not longer than 1 year | - | - | - | - |
| | Longer than 1 year and not longer than 5 years | - | - | - | - |
| | Longer than 5 years | - | - | - | - |
| AASB140.75(h) | | - | - | - | - |
| | <u>Intangible assets</u> | | | | |
| | Not longer than 1 year | - | - | - | - |
| | Longer than 1 year and not longer than 5 years | - | - | - | - |
| | Longer than 5 years | - | - | - | - |
| AASB138.122(e) | | - | - | - | - |
| | <u>Consolidated entity's share of associates' other expenditure commitments</u> | | | | |
| | Not longer than 1 year | 60 | 55 | - | - |
| | Longer than 1 year and not longer than 5 years | - | - | - | - |
| | Longer than 5 years | - | - | - | - |
| AASB128.Aus37.1(d)(ii) | | 60 | 55 | - | - |
| | <u>Consolidated entity's share of jointly controlled entities' other expenditure commitments</u> | | | | |
| | Not longer than 1 year | - | - | - | - |
| | Longer than 1 year and not longer than 5 years | - | - | - | - |
| | Longer than 5 years | - | - | - | - |
| AASB131.Aus57.3(d) | | - | - | - | - |
| | <u>Other *[describe]*</u> | | | | |
| | Not longer than 1 year | - | - | - | - |
| | Longer than 1 year and not longer than 5 years | - | - | - | - |
| | Longer than 5 years | - | - | - | - |
| | | - | - | - | - |

Source reference

## 48. Contingent liabilities and contingent assets

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB137.86(a) | **Contingent liabilities** | | | | |
| | Court proceedings (i) | - | - | - | - |
| | Housing loan guarantees | 720 | 720 | - | - |
| AASB137.86(c) | Likely reimbursement (ii) | (720) | (720) | - | - |
| AASB128.40(b) | The company is jointly and severally liable for all the liabilities of an associate, DTT Finance Limited (iii) | 455 | 413 | 455 | 413 |
| AASB131.54 | Guarantees and other contingent liabilities arising from interests in joint ventures (iv) | 110 | 116 | - | - |
| ASIC-C0 98/1418 | Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group (v) | - | - | 11,980 | 24,580 |
| | Arising from equity accounted investments | | | | |
| AASB128.40(a) | Consolidated entity's share of associates' contingent liabilities (vi) | 150 | 14 | - | - |
| AASB137.89 | **Contingent assets** | | | | |
| | Faulty goods claim (vii) | 140 | - | - | - |

AASB137.86(b)

(i) An entity in the consolidated entity is a defendant in a legal action involving the alleged failure of the entity to supply goods in accordance with the terms of contract. The directors believe, based on legal advice that the action can be successfully defended and therefore no losses will be incurred. The legal claim is expected to be settled in the course of the next eighteen months.

(ii) Guarantees are provided on housing loans for employees who have been seconded or transferred to a new locality within the DTT Consolidated Group. The amount disclosed as a contingent liability represents the amount guaranteed in respect of housing for employees who would, without the guarantee, not have been granted the housing loans. The directors' believe that if the guarantee is ever called on, the consolidated entity will be able to recover the amounts paid from the employees. The housing loans have terms ranging from three to twenty years.

(iii) The company's joint and several liabilities for the liabilities of DTT Finance Limited will only be called upon in the event of default by DTT Finance Limited. The term of this arrangement is indefinite. The amount disclosed as a contingent liability is the aggregate liabilities of DTT Finance Limited as at 31 December 2005. The extent to which an outflow of funds will be required is dependent on the future operations of DTT Finance Limited being more or less favourable than currently expected.

(iv) A number of contingent liabilities arise as a result of the company's interest in joint ventures, including guarantees made directly to financing organisations in respect of the joint ventures. The amount disclosed represents the aggregate amount of such guarantees. The extent to which an outflow of funds will be required is dependent on the future operations of the joint ventures being more or less favourable than currently expected.

Source reference

## 48. Contingent liabilities and contingent assets (cont'd)

(v) As detailed in note 52, the company has entered into a deed of cross guarantee with certain wholly-owned subsidiaries. The amount disclosed as a contingent liability represents total liabilities of the group of companies party to that class order less the liabilities of the company. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross guarantee being more or less favourable than currently expected. The deed of cross guarantee will continue to operate indefinitely.

(vi) The consolidated entity's share of contingent liabilities of associates. The extent to which an outflow of funds will be required is dependent on the future operations of the associates being more or less favourable than currently expected.

(vii) A company in the consolidated entity has a claim outstanding against a supplier for the supply of faulty products. Based on negotiations to date the directors believe that it may be possible to recover this amount.

AASB137.86 Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable:

(a) an estimate of its financial effect;

(b) an indication of the uncertainties relating to the amount or timing of any outflow; and

(c) the possibility of any reimbursement.

AASB137.91 Where any of the information above is not disclosed because it is not practicable to do so, that fact shall be stated.

AASB137.87 In determining which contingent liabilities may be aggregated to form a class, it is necessary to consider whether the nature of the items is sufficiently similar for a single statement about them to fulfil the requirements of paragraphs 86(a) and (b) above.

For the purposes of providing illustrative disclosures that will assist users in preparing financial reports the disclosures of contingent liabilities have been illustrated irrespective of whether a situation might give rise to future economic sacrifices which are considered to be remote.

### Contingent assets

AASB137.89, 91 Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the reporting date, and, where practicable, an estimate of their financial effect. Where any of this information is not disclosed because it is not practicable to do so, that fact shall be stated.

AASB137.90 It is important that disclosures for contingent assets avoid giving misleading indications of the likelihood of income arising.

For the purposes of providing illustrative disclosures that will assist users in preparing financial reports the disclosures of contingent assets have been illustrated irrespective of whether a situation might give rise to future economic benefits which are considered to be not probable.

### Exemptions

AASB137.92 In extremely rare cases, disclosure of some or all of the information illustrated above would be expected to seriously prejudice the position of the entity in a dispute with other parties on the subject matter of the contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

### Provisions

AASB137.88 Where a provision and a contingent liability arise from the same set of circumstances, an entity makes the required disclosures in a way that shows the link between the provision and the contingent liability.

Source reference

# 49. Leases

## Disclosures for lessees

### Finance leases

**Leasing arrangements**

AASB117.31(e), AASB132.60

Finance leases relate to manufacturing equipment with lease terms of 5 years. The consolidated entity has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

AASB117.31(e), AASB132.60

A general description about the lessee's material leasing arrangements shall be disclosed, including:

(a) the basis on which contingent rent payable is determined;

(b) the existence and terms of renewal or purchase options and escalation clauses; and

(c) restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

**Finance lease liabilities**

AASB117.31(b)

| | Minimum future lease payments | | | | Present value of minimum future lease payments | | | |
|---|---|---|---|---|---|---|---|---|
| | Consolidated | | Company | | Consolidated | | Company | |
| | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| No later than 1 year | 10 | 58 | - | - | 9 | 54 | - | - |
| Later than 1 year and not later than 5 years | 6 | 44 | - | - | 5 | 35 | - | - |
| Later than five years | - | - | - | - | - | - | - | - |
| Minimum lease payments* | 16 | 102 | - | - | 14 | 89 | - | - |
| Less future finance charges | (2) | (13) | - | - | - | - | - | - |
| Present value of minimum lease payments | 14 | 89 | - | - | 14 | 89 | - | - |
| Included in the financial statements as: | | | | | | | | |
| Current borrowings (note 25) | | | | | 9 | 54 | - | - |
| Non-current borrowings (note 31) | | | | | 5 | 35 | - | - |
| | | | | | 14 | 89 | - | - |

* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

If there are future contingent rentals or future rentals relating to executory costs to be met by the lessees which are known to be payable over the remainder of the lease term, they shall be included in finance lease commitments.

**Sub-leases**

AASB117.31(d)

For non-cancellable sub-leases, the total of future minimum lease payments expected to be received shall be disclosed.

### Operating leases

**Leasing arrangements**

AASB117.35(d), AASB132.60

Operating leases relate to warehouse facilities with lease terms of between 3 to 5 years, with an option to extend for a further 3 years. All operating lease contracts contain market review clauses in the event that the company/consolidated entity exercises its option to renew. The company/consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

AASB117.35(d), AASB132.60

A general description about the lessee's significant leasing arrangements shall be disclosed, including:

(a) the basis on which contingent rent payable is determined;

(b) the existence and terms of renewal or purchase options and escalation clauses; and

(c) restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

Source reference

## 49. Leases (cont'd)

AASB117.35(a)

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| **Non-cancellable operating lease payments** | | | | |
| Not longer than 1 year | 1,734 | 1,908 | 52 | 52 |
| Longer than 1 year and not longer than 5 years | 3,568 | 4,336 | 88 | 118 |
| Longer than 5 years | 1,618 | 2,526 | - | - |
| | 6,920 | 8,770 | 140 | 170 |
| In respect of non-cancellable operating leases the following liabilities have been recognised: | | | | |
| Current: | | | | |
| Onerous lease contracts (note 27) | 410 | 460 | 2 | 4 |
| Lease incentives (note 28) | 90 | 90 | - | - |
| Non-current: | | | | |
| Onerous lease contracts (note 33) | 504 | 430 | - | - |
| Lease incentives (note 34) | 180 | 270 | - | - |
| | 1,184 | 1,250 | 2 | 4 |

Commitments disclosed in respect of non-cancellable operating leases shall not be reduced by the amount of any liabilities recognised in the financial statements.

AASB117.35(b)

**Sub-leases**

For non cancellable sub-leases, the total of future minimum leases payments expected to be received shall be disclosed.

**Disclosures for lessors**

**Finance leases**

**Leasing arrangements**

AASB117.47(f) A general description about the lessor's material leasing arrangements shall be disclosed.

AASB117.47(a) **Finance lease receivable**

| Source reference | | Minimum future lease receivables | | | | Present value of minimum future lease receivables | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Consolidated | | Company | | Consolidated | | Company | |
| | | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| | No later than 1 year | - | - | - | - | - | - | - | - |
| | Later than 1 year and not later than 5 years | - | - | - | - | - | - | - | - |
| | Later than five years | - | - | - | - | - | - | - | - |
| | Minimum future lease payments | - | - | - | - | - | - | - | - |
| AASB117.47(c) | Unguaranteed residual | - | - | - | - | - | - | - | - |
| | Gross finance lease receivables | - | - | - | - | - | - | - | - |
| AASB117.47(b) | Less unearned finance income | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - |
| | Included in the financial statements as: | | | | | | | | |
| | Current trade and other receivables (note 7) | | | | | - | - | - | - |
| | Non-current trade and other receivables (note 12) | | | | | - | - | - | - |
| | | | | | | - | - | - | - |

Source reference

## 49. Leases (cont'd)

### Operating leases

**Leasing arrangements**

AASB117.56(c) Operating leases relate to the investment property owned by the consolidated entity with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

AASB117.56(c) A general description about the lessor's leasing arrangements shall be disclosed.

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| AASB117.56(a) | **Non-cancellable operating lease receivables** | | | | |
| | Not longer than 1 year | 18 | 18 | - | - |
| | Longer than 1 year and not longer than 5 years | 54 | 72 | - | - |
| | Longer than 5 years | - | - | - | - |
| | | 72 | 90 | - | - |

AASB117.57 **Other disclosures**

The disclosure requirements specified by the relevant standards in relation to property, plant and equipment, intangible assets, impairment of assets, investment property and agriculture apply to lessors for assets provided under operating leases.

An illustrative example of these disclosure items has not been given in this model financial report on the basis that such items would normally be incorporated into other existing notes for example note 2 and note 16.

## 50. Economic dependency

AASB101.Aus126.3 A significant volume of DTT Consolidated Limited's sales are arranged through Monopoly Industries Limited, a company empowered under legislation to control the export marketing of the company's products.

A significant volume of the consolidated entity's construction operations are performed for the Federal Government in accordance with a contract which expires in 2012.

AASB101.Aus126.3 An entity dependent on another entity for a significant volume of revenue or financial support and that dependency is not clearly discernible from a separate line item in the income statement or the balance sheet shall disclose:

(a) the name of the entity on which there is an economic dependency; and

(b) the nature of that economic dependency.

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

Source reference

## 51. Jointly controlled operations and assets

AASB131.Aus57.1 (a), (b)

| Name of entity | Principal activity | Output interest 2005 % | Output interest 2004 % |
|---|---|---|---|
| DTT Gallop | Horse shoe production | 52 | 50 |
| DTT Colour | Paint production | 60 | 60 |

AASB131.Aus57.1(c)

The consolidated entity's interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements and consolidated financial statements under their respective asset categories:

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 |
|---|---|---|
| **Current assets** | | |
| Trade and other receivables | 270 | 250 |
| Inventories | 1,530 | 1,600 |
| **Total current assets** | 1,800 | 1,850 |
| | | |
| **Non-current assets** | | |
| Property, plant and equipment | 8,988 | 9,849 |
| Other | 5 | 5 |
| **Total non-current assets** | 8,993 | 9,854 |
| **Total assets** | 10,793 | 11,704 |

AASB131.54, 55

**Contingent liabilities and capital commitments**

The contingent liabilities and capital commitments arising from the consolidated entity's interests in joint ventures are disclosed in notes 48 and 47 respectively.

**Jointly controlled assets**

AASB131.Aus57.1

Disclosures similar to those illustrated above shall be made for any jointly controlled assets held by the entity.

## 52. Subsidiaries

AASB127.Aus40.1(a), 42(b), AASB124.12

| Name of entity | Country of incorporation | Ownership interest 2005 % | Ownership interest 2004 % |
|---|---|---|---|
| **Parent entity** | | | |
| DTT Consolidated Limited (i) | Australia | | |
| **Subsidiaries** | | | |
| DTT Investments Pty Ltd (ii) (iii) | Australia | 100 | 100 |
| DTT Finance Pty Ltd (ii) (iii) | Australia | 100 | - |
| DTT Sales Pty Ltd (ii) | Australia | 100 | 100 |
| DTT International Ltd | Australia | 80 | 80 |
| DTT USA Incorporated | USA | 100 | 100 |
| DTT Corporation | USA | - | 75 |
| DTT USA Limited | USA | 100 | 100 |
| DTT Production Unit Trust (ii) | Australia | 100 | 100 |

(i) DTT Consolidated Limited is the head entity within the tax-consolidated group.

(ii) These companies are members of the tax-consolidated group.

ASIC-C0 98/1418

(iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with DTT Consolidated Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.
DTT Finance Pty Ltd became a party to the deed of cross guarantee on 15 June 2005.

Source reference

## 52. Subsidiaries (cont'd)

The consolidated income statement and balance sheet of entities which are party to the deed of cross guarantee are:

| | 2005 $'000 | 2004 $'000 |
|---|---|---|
| **Income statement** | | |
| Revenue | 90,716 | 92,515 |
| Other income | 1,435 | 622 |
| Share of profits of associates and jointly controlled entities accounted for using the equity method | 1,186 | 1,589 |
| Changes in inventories of finished goods and work in progress | (4,273) | 1,822 |
| Raw materials and consumables used | (42,236) | (51,244) |
| Employee benefits expense | (5,882) | (6,993) |
| Depreciation and amortisation expense | (7,316) | (8,544) |
| Finance costs | (3,095) | (4,037) |
| Impairment of non-current assets | (204) | - |
| Consulting expense | (1,797) | (976) |
| Other expenses | (5,362) | (3,019) |
| **Profit before income tax expense** | 23,172 | 21,735 |
| Income tax expense | (7,336) | (8,971) |
| **Profit from continuing operations** | 15,836 | 12,764 |
| Profit from discontinued operations | - | - |
| **Profit for the period** | 15,836 | 12,764 |
| | | |
| **Balance sheet** | | |
| **Current assets** | | |
| Cash and cash equivalents | 18,179 | 17,799 |
| Trade and other receivables | 10,614 | 13,758 |
| Other financial assets | 7,653 | 5,305 |
| Inventories | 15,013 | 18,211 |
| Current tax assets | 85 | 60 |
| Other | - | - |
| | 51,544 | 55,133 |
| Non-current assets classified as held for sale | 1,260 | - |
| **Total current assets** | 52,804 | 55,133 |
| **Non-current assets** | | |
| Trade and other receivables | - | - |
| Inventories | - | - |
| Investments accounted for using the equity method | 8,425 | 7,269 |
| Other financial assets | 5,606 | 4,567 |
| Property, plant and equipment | 62,741 | 70,083 |
| Investment property | - | - |
| Deferred tax assets | - | - |
| Goodwill | 16,788 | 16,788 |
| Other intangible assets | 9,739 | 11,325 |
| Other | - | - |
| **Total non-current assets** | 103,299 | 110,032 |
| **Total assets** | 156,103 | 165,165 |

Source reference

## 52. Subsidiaries (cont'd)

| | 2005 $'000 | 2004 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade and other payables | 8,119 | 9,594 |
| Borrowings | 28,042 | 30,000 |
| Other financial liabilities | 80 | - |
| Current tax payables | 5,133 | 5,868 |
| Provisions | 2,050 | 1,624 |
| Other | - | - |
| | 43,424 | 47,086 |
| Liabilities directly associated with non-current assets classified as held for sale | - | - |
| **Total current liabilities** | 43,424 | 47,086 |
| **Non-current liabilities** | | |
| Trade and other payables | - | - |
| Borrowings | 20,249 | 20,862 |
| Other financial liabilities | - | - |
| Deferred tax liabilities | 3,981 | 3,223 |
| Provisions | 1,379 | 1,396 |
| Other | - | - |
| **Total non-current liabilities** | 25,609 | 25,481 |
| **Total liabilities** | 69,033 | 72,567 |
| **Net assets** | 87,070 | 92,598 |
| **Equity** | | |
| Issued capital | 32,777 | 48,672 |
| Reserves | 3,472 | 1,527 |
| Retained earnings* | 50,821 | 42,399 |
| | 87,070 | 92,598 |
| Amounts recognised directly in equity relating to non-current assets classified as held for sale | - | - |
| **Total equity** | 87,070 | 92,598 |
| | | |
| *** Retained earnings** | | |
| Retained earnings as at beginning of the financial year | 42,399 | 33,659 |
| Net profit | 15,836 | 15,461 |
| Dividends provided for or paid | (6,635) | (6,479) |
| Share buy back | (555) | - |
| Actuarial gains/(losses) | (226) | (235) |
| Other movements in retained earnings *[describe]* | 2 | (7) |
| Retained earnings as at end of the financial year | 50,821 | 42,399 |

The above proforma consolidated financial statements shall comply with:

- in respect of the income statement – paragraphs 81 to 85 of Accounting Standard AASB 101 'Presentation of Financial Statements'; and
- in respect of the balance sheet – paragraphs 68 to 73 of AASB 101.

In addition, the principles of consolidation as prescribed by AASB 127 'Consolidated and Separate Financial Statements' shall be applied, therefore all transactions between parties to the deed of cross guarantee shall be eliminated.

### Other disclosures

AASB127.40(c), Aus40.1(b)

The consolidated financial statements shall disclose the nature of the relationship between the parent and a subsidiary and the reasons why control exists when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power.

Source reference

## 52. Subsidiaries (cont'd)

AASB127.40(d) The consolidated financial statements shall disclose the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control.

AASB127.40(f) The consolidated financial statements shall disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances.

AASB127.42(b) The consolidated financial statements shall disclose, if different from the proportion of ownership interest held in a subsidiary, the proportion of voting power held.

## 53. Acquisition of businesses

AASB3.67(a), (b), (c), (d)

| Names of businesses acquired | Principal activity | Date of acquisition | Proportion of shares acquired (%) | Cost of acquisition $'000 |
|---|---|---|---|---|
| **2005:** | | | | |
| DTT Finance Pty Limited | Financial | 15/06/05 | 100 | 350 |
| Minus Pty Limited distribution business | Distribution | 30/11/05 | - | 872 |
| | | | | 1,222 |
| **2004:** | | | | |
| *[describe]* | | | | - |
| | | | | - |

AASB3.67(d), (h) The cost of acquisition comprises cash for all of the acquisitions except for acquisition of the Minus Pty Limited distribution business, which comprises cash of $472 thousand and land and buildings with an aggregate fair value of $400 thousand. In each acquisition, the consolidated entity has paid a premium for the acquiree as it believes the acquisitions will introduce additional synergies to its existing operations.

AASB3.67(i), 70 Included in the net profit for the period is $35 thousand attributable to the additional business generated by DTT Finance Pty Limited, and $13 thousand attributable to the purchase of the distribution businesses of Minus Pty Limited. Had these business combinations been effected at 1 January 2005, the revenue of the consolidated entity would be $163,500 thousand, and net profit $32,436 thousand.

AASB3.67(f)

| | DTT Finance Pty Limited | | | Minus Pty Limited distribution business | | | |
|---|---|---|---|---|---|---|---|
| Net assets acquired | Book value $'000 | Fair value adjust-ment $'000 | Fair value on acquisi-tion $'000 | Book value $'000 | Fair value adjust-ment $'000 | Fair value on acquisi-tion $'000 | Total fair value on acquisition $'000 |
| **Current assets:** | | | | | | | |
| Cash and cash equivalents | 120 | - | 120 | 80 | - | 80 | 200 |
| Trade and other receivables | 87 | - | 87 | 105 | - | 105 | 192 |
| Inventories | - | - | - | 78 | 12 | 90 | 90 |
| **Non-current assets:** | | | | | | | |
| In-process R&D | - | - | - | - | - | - | - |
| Plant and equipment | 50 | 35 | 85 | 312 | 57 | 369 | 454 |
| **Current liabilities:** | | | | | | | |
| Trade and other payables | (23) | - | (23) | (35) | - | (35) | (58) |
| **Non-current liabilities:** | | | | | | | |
| Deferred tax liabilities | (2) | (11) | (13) | (16) | (17) | (33) | (46) |
| Contingent liabilities | - | - | - | - | - | - | - |
| | 232 | 24 | 256 | 524 | 52 | 576 | 832 |
| Goodwill on acquisition | | | | | | | 390 |
| | | | | | | | 1,222 |

Further details of the businesses acquired during the financial year are disclosed in note 58(b).

Source reference

## 53. Acquisition of businesses (cont'd)

AASB3.67(f) The financial report shall disclose, for each business combination effected during the period, the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, and, unless disclosure would be impracticable, the carrying amounts of each of those classes, determined in accordance with Accounting Standards, immediately before the combination.

If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case;

### Issuance of equity instruments as part of the cost of a business combination

AASB3.67(d) When equity instruments are issued or issuable as part of the cost of a business combination, the following shall also be disclosed:

(a) the number of equity instruments issued or issuable; and

(b) the fair value of those instruments and the basis for determining that fair value. If a published price does not exist for the instruments at the date of exchange, the significant assumptions used to determine fair value shall be disclosed. If a published price exists at the date of exchange but was not used as the basis for determining the cost of the combination, that fact shall be disclosed together with: the reasons the published price was not used; the method and significant assumptions used to attribute a value to the equity instruments; and the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments.

### Consequential disposal of operations

AASB3.67(e) Details of any operations the entity has decided to dispose of as a result of a business combination shall be disclosed.

### Disclosure of excess on acquisition

AASB3.67(g), (h) The amount of any excess recognised in profit or loss, and the line item in the income statement in which the excess is recognised, shall be disclosed for each business combination. A description of the nature of the excess shall be disclosed.

### Disclosure of factors contributing to goodwill on acquisition

AASB3.67(h) A description of the factors that contributed to a cost that results in the recognition of goodwill and a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably shall be disclosed.

### Effect of business combination on the consolidated financial report

AASB3.67(i) The amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period shall be disclosed for each business combination, unless disclosure would be impracticable. If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.

AASB3.70 The acquirer shall also disclose, unless such disclosure would be impracticable:

(a) the revenue of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of that period; and

(b) the profit or loss of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period.

If disclosure of this information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case

Source reference

## 53. Acquisition of businesses (cont'd)

### Initial accounting determined provisionally

AASB3.62, 69

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, that fact shall also be disclosed together with an explanation of why this is the case.

### Gains, losses, errors and other adjustments relating to business combinations

AASB3.72

An acquirer shall disclose information that enables users of its financial report to evaluate the financial effects of gains, losses, error corrections and other adjustments recognised in the current period that relate to business combinations that were effected in the current or in previous periods.

AASB3.73

To give effect to this principle, the acquirer shall disclose the following information:

(a) the amount and an explanation of any gain or loss recognised in the current period that:
  (i) relates to the identifiable assets acquired or liabilities or contingent liabilities assumed in a business combination that was effected in the current or a previous period; and
  (ii) is of such size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance;

(b) if the initial accounting for a business combination that was effected in the immediately preceding period was determined only provisionally at the end of that period, the amounts and explanations of the adjustments to the provisional values recognised during the current period; and

(c) the information about error corrections required to be disclosed by Accounting Standard AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' for any of the acquiree's identifiable assets, liabilities or contingent liabilities, or changes in the values assigned to those items, that the acquirer recognises during the current period as adjustments after the initial accounting for the business combination is complete.

## 54. Segment information

AASB114.Aus1.10

When the financial report of a parent is presented with the group's financial statements, the parent need not disclose segment information. That is, only consolidated segment information is required to be disclosed.

### Information on business segments *(primary reporting format)*

This illustrative example of the disclosure of 'primary' segment information has been presented on the basis that DTT Consolidated Limited's primary reporting format is business segments. Similar information is required to be disclosed for each geographical segment where an entity's primary reporting format is geographical segments.

AASB114.51

**Segment revenues**

| | External sales | | Inter-segment *(i)* | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| Widgets | 75,370 | 79,467 | 2,515 | 1,872 | 579 | 428 | 78,464 | 81,767 |
| Bicycles | 35,515 | 49,153 | - | - | - | - | 35,515 | 49,153 |
| Construction | 28,890 | 28,690 | - | - | - | - | 28,890 | 28,690 |
| Toys | 63,273 | 69,522 | 988 | 650 | - | - | 64,261 | 70,172 |
| AASB114.67 Other | 2,275 | 2,831 | - | - | 558 | 485 | 2,833 | 3,316 |
| Total of all segments | | | | | | | 209,963 | 233,098 |
| Eliminations | | | | | | | (3,503) | (2,522) |
| Unallocated | | | | | | | 2,471 | 1,458 |
| AASB114.67 Consolidated | | | | | | | 208,931 | 232,034 |

Source reference

## 54. Segment information

AASB114.75 (i) Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers for similar goods.

AASB114.16 Examples of items commonly included in the 'unallocated' line of segment revenues are:

(a) interest income (except where the segment's operations are primarily of a financial nature);

(b) dividend income (except where the segment's operations are primarily of a financial nature); and

(c) gains on sales of investments or extinguishment of debt (except where the segment's operations are primarily of a financial nature).

AASB114.75 In measuring and disclosing segment revenues from transactions with other segments, inter-segment transfers shall be measured on the basis that the entity used to price those transfers. The basis of pricing inter-segment transfers and any change therein shall be disclosed in the financial report.

AASB114.52 **Segment result**

| Source reference | | 2005 $'000 | 2004 $'000 |
|---|---|---|---|
| | **Continuing operations:** | | |
| | Widgets | 29,123 | 29,640 |
| | Toys | 8,774 | 10,343 |
| | Other | 1,011 | 984 |
| | | 38,908 | 40,967 |
| | Eliminations | - | - |
| | Unallocated | (9,360) | (8,829) |
| | Profit before income tax expense | 29,548 | 32,138 |
| | Income tax expense | (11,306) | (11,801) |
| AASB114.67 | Profit for the period from continuing operations | 18,242 | 20,337 |
| | **Discontinued operations:** | | |
| | Bicycles | 7,394 | 9,636 |
| | Construction | 4,206 | 3,481 |
| | Eliminations | - | - |
| | Unallocated | (130) | (124) |
| | Profit from discontinued operations before income tax expense | 11,470 | 12,993 |
| | Income tax expense | (3,160) | (2,998) |
| AASB114.67 | Profit for the period from discontinued operations | 8,310 | 9,995 |
| AASB114.67 | Profit for the period | 26,552 | 30,332 |

AASB114.52, 52A An entity shall disclose segment result for each reportable segment, presenting the result from continuing operations separately from the result from discontinued operations. An entity shall restate segment result in prior periods presented in the financial statements so that the segment disclosures relating to discontinued operations relate to all operations that had been classified as discontinued at the balance sheet date of the latest period presented.

AASB114.55, 56 **Segment assets and liabilities**

| Source reference | | Assets | | Liabilities | |
|---|---|---|---|---|---|
| | | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| | Widgets | 113,567 | 96,926 | 10,003 | 11,662 |
| | Bicycles | - | 21,120 | - | 2,120 |
| | Construction | 21,076 | 20,012 | 3,254 | 2,552 |
| | Toys | 72,513 | 70,658 | 10,985 | 8,159 |
| | Other | 8,346 | 7,970 | 1,220 | 1,014 |
| | Total of all segments | 215,502 | 216,686 | 25,462 | 25,507 |
| | Eliminations | - | - | - | - |
| | Unallocated | 48,200 | 44,401 | 67,200 | 69,560 |
| AASB114.67 | Consolidated | 263,702 | 261,087 | 92,662 | 95,067 |

Source reference

## 54. Segment information (cont'd)

**Other segment information**

| Source reference | | Widgets 2005 $'000 | Widgets 2004 $'000 | Bicycle 2005 $'000 | Bicycle 2004 $'000 | Construction 2005 $'000 | Construction 2004 $'000 | Toys 2005 $'000 | Toys 2004 $'000 |
|---|---|---|---|---|---|---|---|---|---|
| AASB114.66 | Carrying value of investments accounted for using the equity method | - | - | - | - | - | - | 2,101 | 1,500 |
| AASB114.64 | Share of net profit/ (loss) of associates and jointly controlled entities accounted for under the equity method | - | - | - | - | - | - | 601 | 485 |
| AASB114.57 | Acquisition of segment assets | 8,507 | 6,952 | - | 325 | 4,099 | 1,500 | 7,317 | 2,500 |
| AASB136.129(a) | Impairment losses | 15 | - | - | - | - | - | 204 | - |
| AASB136.129(b) | Reversals of impairment losses | - | - | - | - | - | - | - | - |
| AASB114.58 | Depreciation and amortisation of segment assets | 5,261 | 5,988 | 2,120 | 3,236 | 967 | 1,309 | 3,665 | 3,202 |
| AASB114.61 | Significant other non-cash expenses | 408 | - | - | - | - | - | - | - |
| AASB114.59 | Significant revenues or expenses *[describe]* | - | - | - | - | - | - | - | - |

Depreciation and amortisation, and other non-cash expenses

AASB114.63 An entity that provides the segment cash flow disclosures encouraged by Accounting Standard AASB 107 'Cash Flow Statements' need not also disclose segment depreciation and amortisation expense or details of other non-cash expenses.

Acquisition of segment assets

AASB114.57 An entity shall disclose the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant and equipment, and intangible assets) for each reportable segment. While this sometimes is referred to as capital additions or capital expenditure, the measurement required by this principle shall be on an accrual basis, not a cash basis.

Impairment losses, and reversals thereof

AASB136.129 An entity that reports segment information in accordance with Accounting Standard AASB 114 'Segment Reporting' shall disclose the following for each reportable segment based on an entity's primary reporting format:

(a) the amount of impairment losses recognised in profit or loss and directly in equity during the period; and

(b) the amount of reversals of impairment losses recognised in profit or loss and directly in equity during the period.

Disclosure of specific revenues and expenses

AASB114.59 An entity is encouraged, but not required to disclose the nature and amount of any items of segment revenue and segment expense that are of such size, nature, or incidence that their disclosure is relevant to explain the performance of each reportable segment for the period.

Source reference

## 54. Segment information (cont'd)

AASB114.60 Accounting Standard AASB 101 'Presentation of Financial Statements' requires that when items of income and expense are material, their nature and amount shall be disclosed separately. AASB 101 offers a number of examples, including write-downs of inventories and property, plant, and equipment, provisions for restructurings, disposals of property, plant and equipment and long-term investments, discontinued operations, litigation settlements, and reversals of provisions. AASB 114 is not intended to change the classification of any such items or to change the measurement of such items. The disclosure encouraged by AASB 114, however, does change the level at which the significance of such items is evaluated for disclosure purposes from the entity level to the segment level.

**Products and services within each business segment**

AASB114.81 For management purposes, the consolidated entity is organised into four major operating divisions – widgets, bicycles, construction and toys. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Widgets — the manufacture and sale of widgets within Australia and overseas.
- Bicycles — the manufacture of bicycles ranging from leisure bicycles, mountain bicycles and children bicycles. Division has been sold in 2005.
- Construction — the construction and renovation of Australian residential properties.
- Toys — the manufacture and sale of toys within Australia and overseas.

Other operations include the development and sale of computer software for specialised business applications and leasing of specialised storage premises.

During the financial year, the consolidated entity disposed of its bicycle business (refer to note 58(c)) and the Board of Directors announced a plan to dispose of the construction business (refer note 55).

**Information on geographical segments** *(secondary reporting format)*

This illustrative example of the disclosure of 'secondary' segment information has been presented on the basis that DTT Consolidated Limited's secondary reporting format is geographical segments (and its primary reporting format is business segments). Similar information is required to be disclosed for each business segment, where an entity's secondary reporting format is business segments (and its primary reporting format is geographical segments).

AASB114.69

| Geographical segments | Revenue from external customers 2005 $'000 | Revenue from external customers 2004 $'000 | Segment assets 2005 $'000 | Segment assets 2004 $'000 | Acquisition of segment assets 2005 $'000 | Acquisition of segment assets 2004 $'000 |
|---|---|---|---|---|---|---|
| Australia | 149,165 | 152,658 | 171,080 | 172,242 | 10,459 | 5,760 |
| North America | 25,898 | 43,562 | 22,345 | 21,985 | 7,416 | 3,380 |
| Europe | 25,485 | 25,687 | 21,684 | 22,009 | 3,897 | 2,629 |
| Other | 5,912 | 8,620 | 393 | 450 | 1,211 | 503 |

AASB114.81 The consolidated entity's four divisions operate in three principal geographical areas – Australia, North America and Europe. The composition of each geographical segment is as follows:

- Australia — DTT Consolidated manufactures and sells a broad range of all its products in Australia.
- North America — DTT Consolidated operates widget manufacturing facilities in Canada with sales offices in the United States and Canada. There was also a bicycle manufacturing facility and sales offices located in Wisconsin in the United States.
- Europe — DTT Consolidated operates widget manufacturing facilities in France and Germany with sales offices in the Netherlands, Belgium, Germany and France.

Source reference

## 54. Segment information (cont'd)

Information on geographical segments (secondary reporting format)

AASB114.69 If an entity's primary reporting format for reporting segment information is business segments, it shall also report the following information:

(a) segment revenue from external customers by geographical area based on the geographical location of its customers, for each geographical segment whose revenue from sales to external customers is 10 per cent or more of total entity revenue from sales to all external customers;

(b) the total carrying amount of segment assets by geographical location of assets, for each geographical segment whose segment assets are 10 per cent or more of the total assets of all geographical segments; and

(c) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets) by geographical location of assets, for each geographical segment whose segment assets are 10 per cent or more of the total assets of all geographical segments.

Information on business segments (secondary reporting format)

AASB114.70 If an entity's primary format for reporting segment information is geographical segments (whether based on location of assets or location of customers), it shall also report the following segment information for each business segment whose revenue from sales to external customers is 10 per cent or more of total entity revenue from sales to all external customers or whose segment assets are 10 per cent or more of the total assets of all business segments:

(a) segment revenue from external customers;

(b) the total carrying amount of segment assets; and

(c) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets).

**Other disclosure requirements**

Geographical segments based on location of assets

AASB114.71 If an entity's primary format for reporting segment information is geographical segments that are based on location of assets, and if the location of its customers is different from the location of its assets, then the entity shall also report revenue from sales to external customers for each customer-based geographical segment whose revenue from sales to external customers is 10 per cent or more of total entity revenue from sales to all external customers.

Geographical segments based on location of customers

AASB114.72 If an entity's primary format for reporting segment information is geographical segments that are based on location of customers, and if the entity's assets are located in different geographical areas from its customers, then the entity shall also report the following segment information for each asset-based geographical segment whose revenue from sales to external customers or segment assets are 10 per cent or more of related consolidated or total entity amounts:

(a) the total carrying amount of segment assets by geographical location of the assets; and

(b) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets) by location of the assets.

Disclosure of particulars of other segments

AASB114.74 If a business segment or geographical segment for which information is reported to the board of directors and chief executive officer is not a reportable segment because it earns a majority of its revenue from sales to other segments, but nonetheless its revenue from sales to external customers is 10 per cent or more of total entity revenue from sales to all external customers, the entity shall disclose that fact and the amounts of revenue from:

(a) sales to external customers; and

(b) internal sales to other segments.

Source reference

## 54. Segment information (cont'd)

Changes in accounting policies

AASB114.25 While the accounting policies used in preparing and presenting the financial statements of the entity as a whole are also the fundamental segment accounting policies, segment accounting policies include, in addition, policies that relate specifically to segment reporting, such as identification of segments, method of pricing inter-segment transfers, and basis for allocating revenues and expenses to segments.

AASB114.76 Changes in accounting policies adopted for segment reporting that have a material effect on segment information shall be disclosed, and prior period segment information presented for comparative purposes shall be restated unless it is impracticable to do so. Such disclosure shall include a description of the nature of the change, the reasons for the change, the fact that comparative information has been restated or that it is impracticable to do so, and the financial effect of the change, if it is reasonably determinable. If an entity changes the identification of its segments and it does not restate prior period segment information on the new basis because it is impracticable to do so, then for the purpose of comparison the entity shall report segment data for both the old and the new bases of segmentation in the period in which it changes the identification of its segments.

Comparative information

AASB114.43 If a segment is identified as a reportable segment in the current period because it satisfies the relevant 10 per cent thresholds, prior period segment data that is presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the 10 per cent thresholds in the prior period, unless it is impracticable to do so.

Inter-segment transactions within the consolidated entity

AASB114.24 Segment revenue, segment expense, segment assets, and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

## 55. Discontinued operations

### Definition of a discontinued operation

AASB5.32 A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

AASB5.31 A component of an entity means operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

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

AASB5.38, 39, 40 An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either on the face of the balance sheet or in the notes, except where the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition. An entity shall present separately any cumulative income or expense recognised directly in equity relating to a non-current asset (or disposal group) classified as held for sale

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

Source reference

## 55. Discontinued operations (cont'd)

### Disclosure of discontinued operations

AASB5.33 An entity shall disclose:

(a) a single amount on the face of the income statement comprising the total 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;
(b) an analysis of the single amount in (a) into:
   (i) the revenue, expenses and pre-tax profit or loss of discontinued operations;
   AASB112.81(h)(ii) (ii) the tax expense relating to the profit or loss from the ordinary activities of the discontinued operation for the period, together with the corresponding amounts for each prior period presented;
   (iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and
   AASB112.81(h)(i) (iv) the tax expense relating to the gain or loss on discontinuance.

   The analysis may be presented in the notes or on the face of the income statement, and is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.
(c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or on the face of the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.

AASB5.34 An entity shall re-present the disclosures above for prior periods presented in the financial report so that the disclosures relate to all operations that have been discontinued by the reporting date for the latest period presented.

<u>Disposal groups that are to be abandoned</u>

AASB5.13 An entity shall not classify as held for sale a disposal group that is to be abandoned. However, a disposal group to be abandoned that meets the criteria of a discontinued operation shall present the results and cash flows of the disposal group as discontinued operations in accordance with the requirements above at the date on which it ceases to be used.

<u>Adjustments relating to the disposal of a discontinued operation in a prior period</u>

AASB5.35 Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations. The nature and amount of such adjustments shall be disclosed. Examples of circumstances in which these adjustments may arise include the following:

(a) the resolution of uncertainties that arise from the terms of the disposal transaction, such as the resolution of purchase price adjustments and indemnification issues with the purchaser;
(b) the resolution of uncertainties that arise from and are directly related to the operations of the component before its disposal, such as environmental and product warranty obligations retained by the seller; and
(c) the settlement of employee benefit plan obligations, provided that the settlement is directly related to the disposal transaction.

### Additional disclosures

AASB5.41 An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:

(a) a description of the non-current asset (or disposal group);
(b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;

Source reference

## 55. Discontinued operations (cont'd)

(c) the gain or loss recognised on recognition of impairment losses or reversals thereof, and, if not separately presented on the face of the income statement, the caption in the income statement that includes that gain or loss; and

(d) if applicable, the segment in which the non-current asset (or disposal group) is presented.

Changes to a plan of sale

AASB5.42 If there are changes to a plan of sale such that an entity ceases to classify an asset (or disposal group) as held for sale, an entity shall disclose, in the period of the decision to change the plan to sell the non-current asset (or disposal group), a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.

AASB5.36 If an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

**Disposal of the bicycle business**

AASB5.41, AASB101.87(e) On 28 September 2005, the Board of Directors entered into a sale agreement to dispose of the consolidated entity's bicycle business. The proceeds on the sale substantially exceeded the book value of the related net assets and accordingly no impairment losses were recognised on the reclassification of these operations as held for sale. The disposal of the bicycle business is consistent with the consolidated entity's long-term policy to focus its activities in the widget and toy manufacturing industries. The disposal was completed on 30 November 2005, on which date control of the bicycle business passed to the acquirer.

**Plan to dispose of the construction business**

AASB5.41, AASB101.87(e) On 30 November 2005, the Board of Directors announced a plan to dispose of the consolidated entity's construction business, which involves the construction and renovation of Australian residential properties. The disposal is consistent with the consolidated entity's long-term policy to focus its activities in the widget and toy manufacturing industries. The consolidated entity is actively seeking a buyer for its construction business and expects to complete the sale by 31 July 2006.

On initial reclassification of these operations as held for sale, the consolidated entity has not recognised any impairment losses.

AASB5.34 The results of the discontinued operations which have been included in the income statement are as follows. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period:

| | | Consolidated | |
|---|---|---|---|
| | | 2005 $'000 | 2004 $'000 |
| AASB5.33(b) | **Profit from discontinued operations:** | | |
| | Revenue | 64,405 | 77,843 |
| | Other income | 150 | 49 |
| | | 64,555 | 77,892 |
| | Expenses | (54,905) | (64,899) |
| | Profit before income tax expense | 9,650 | 12,993 |
| | Attributable income tax expense | (2,560) | (2,998) |
| | | 7,090 | 9,995 |
| | Gain/(loss) on remeasurement to fair value less costs to sell | - | - |
| | Gain/(loss) on disposal of operation | 1,820 | - |
| | | 1,820 | - |
| | Attributable income tax expense | (600) | - |
| | | 1,220 | - |
| | Profit from discontinued operations | 8,310 | 9,995 |

Source reference

## 55. Discontinued operations (cont'd)

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 |
|---|---|---|---|
| AASB5.33(c) | **Cash flows from discontinued operations:** | | |
| | Net cash flows from operating activities | 6,381 | 7,068 |
| | Net cash flows from investing activities | 2,767 | - |
| | Net cash flows from financing activities | (5,000) | - |
| | Net cash flows | 4,148 | 7,068 |

AASB5.33(b), (c) An analysis of the profit from discontinued operations and disclosure of the net cash flows is not required for newly acquired subsidiaries classified as held for sale on acquisition.

AASB5.38 The major classes of assets and liabilities comprising the operations classified as held for sale at balance date are as follows:

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 |
|---|---|---|---|
| | Goodwill | 1,147 | - |
| | Property, plant and equipment | 15,684 | - |
| AASB102.36(c) | Inventories | 830 | - |
| | Trade and other receivables | 1,980 | - |
| | Cash and cash equivalents | 1,435 | - |
| | Total assets classified as held for sale | 21,076 | - |
| | | | |
| | Trade and other payables | (3,104) | - |
| | Current tax payables | (150) | - |
| | Deferred tax liabilities | (430) | - |
| | Total liabilities associated with assets classified as held for sale | (3,684) | - |
| | Net assets held for sale | 17,392 | - |

AASB5.39 Disclosure of the major classes of assets and liabilities is not required for a disposal group which is a newly acquired subsidiary classified as held for sale on acquisition.

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 balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented.

## 56. Related party disclosures

### Revision of Accounting Standard AASB 1046

At the time of finalisation of these models, the AASB had not yet finalised a revised Accounting Standard AASB 1046 'Director and Executive Disclosures by Disclosing Entities' for financial years ending on or after 31 December 2005. The following note disclosure has been drafted to illustrate the requirements of the existing AASB 1046, as amended by Accounting Standard AASB 1046A 'Amendments to Accounting Standard AASB 1046', which continues to apply in the absence of any further revisions by the AASB. For more recent developments concerning revisions to the Accounting Standard, contact your nearest Deloitte Touche Tohmatsu office.

### Non-disclosing entities

Non-disclosing entities shall make the following disclosures of key management personnel in the notes to the financial statements:

AASB124.Aus16.1 (a) the names of the specified directors for the reporting period and, where a director has not occupied this position for the entire period, the date of appointment or resignation as appropriate (illustrated in note 4);

AASB124.16 (b) key management personnel compensation, in total, and for each of short-term employee benefits, post-employment benefits, other long-term employee benefits, termination benefits and share-based payment (illustrated in note 4); and

Source reference

## 56. Related party disclosures (cont'd)

AASB124.17, 18(f)

(c) if there have been any related party transactions, the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements, including, the amount of the transactions, the amount of outstanding balances and their terms and conditions including whether they are secured, the nature of the consideration to be provided in settlement and details of any guarantees given or received, any related provisions for doubtful debts, and the expense recognised during the period in respect of bad or doubtful debts due from key management personnel. These shall be disclosed together with disclosures made in respect of the key management personnel of the reporting entity's parent entity.

### Comparative information

AASB1046.11.1

Disclosing entities shall disclose comparative information except:

(a) for disclosures in relation to specified persons relating to loans, equity holdings and other transactions and balances; or

(b) where the disclosures did not apply to a specified person or a group of specified persons in the preceding reporting period.

AASB1046.11.1.3

In respect of the disclosures of aggregates for groups of individuals, comparative information is required to be disclosed in the financial report except for the first financial report to which AASB 1046 applies.

AASB101.36

Non-disclosing entities shall include comparative information for all disclosures specified by Accounting Standard AASB 124 'Related Party Disclosures'.

### Materiality

AASB124.Aus1.4, AASB1031.12(b)(i), AASB1046.1.3

The disclosure requirements of AASB 124 and AASB 1046 only apply where they are of material consequence. It may be necessary to treat as material an item or aggregate of items which would not be judged material on the basis of the amounts involved, because of their nature, for example, when transactions occur between an entity and parties who have a fiduciary responsibility in relation to that entity, such as those transactions outlined in AASB 124 and AASB 1046.

AASB 1046 deems specified director-related and specified executive-related disclosures to be material regardless of the quantum of the amounts involved.

### Related parties

AASB124.9

'Related party' – a party is related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:
   (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
   (ii) has an interest in the entity that gives it significant influence over the entity; or
   (iii) has joint control over the entity;

(b) the party is an associate of the entity;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

AASB124.9

'Close members of the family of an individual' are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include:

(a) the individual's domestic partner and children;

(b) children of the individual's domestic partner; and

(c) dependants of the individual or the individual's domestic partner.

Source reference

## 56. Related party disclosures (cont'd)

AASB124.9 'Key management personnel' are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

AASB124.Aus9.2 Key management personnel comprise the specified directors and at least five specified executives.

AASB124.Aus9.1, AASB1046.12.1 'Specified director' means a person who was, at any time during the reporting period, a director of the entity required to prepare the financial report. A 'director' means:

(a) a person who, regardless of the name that is given to the position, is appointed:
  - (i) to the position of a director; or
  - (ii) to the position of an alternate director and is acting in that capacity; or
  - (iii) in the case of entities governed by bodies not called a board of directors, to the position of member of the governing body, council, commission or authority;

(b) unless the contrary intention appears, a person who is not validly appointed as a director if:
  - (i) the person acts in the position of a director; or
  - (ii) the directors of the entity are accustomed to act in accordance with the person's instructions or wishes (except where the directors act on advice given by the person in the proper performance of functions attaching to the person's professional capacity, or the person's business relationship with the directors or the entity).

AASB124.Aus9.1, AASB1046.12.1 'Specified executive' means one of the five or more executives who:

(a) have the greatest authority for managing the consolidated group or, where there are no subsidiaries, the entity required to prepare the financial report;

(b) are employed at any time during the reporting period by the entity or any of its subsidiaries; and

(c) are not specified directors.

'Executive' means a person who is directly accountable and responsible for the strategic direction and operational management of the entity.

### Related party categories

AASB124.18 When disclosing information in relation to related parties, information shall be disclosed separately for each of the following categories:

- the parent
- entities with joint control or significant influence over the entity
- subsidiaries
- associates
- joint ventures in which the entity is a venturer
- AASB124.Aus1.9 key management personnel of the entity or its parent (where consolidated financial statements are prepared, disclosures of key management personnel need only be made in relation to the consolidated entity)
- AASB124.Aus18.1, Aus9.1 former key management personnel (a former key management personnel is a person who was a specified director or specified executive in the immediately preceding reporting period but is not specified in the current reporting period)
- other related parties.

AASB124.Aus18.2 AASB 1046 requires separate disclosures to be made for specified directors and specified executives and their personally-related entities. Disclosing entities complying with AASB 1046 shall exclude these parties from the category 'key management personnel of the entity or its parent'. Accordingly, disclosing entities would only include in this category the key management personnel of the entity's (external) parent. Likewise, entities related to the key management personnel of the disclosing entity are excluded from disclosures under other related parties.

AASB1046.12.1 'Personally-related entities' means, in relation to a particular individual, the relatives of the individual, the spouses of the relatives and any other entity under the joint or several control or significant influence of the individual, relatives of the individual or spouses of relatives.

Source reference

## 56. Related party disclosures (cont'd)

AASB1046.12.1 'Relative' means, in relation to a person, the spouse, parent or remoter lineal ancestor, son, daughter or remoter issuer, or brother or sister of the person.

### (a) Equity interests in related parties

**Equity interests in subsidiaries**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 52 to the financial statements.

In addition, DTT Consolidated Limited holds 100% of the ordinary share options of DTT International Limited giving the company the right to purchase an additional 500,000 ordinary shares at $1.20 each. The ordinary share options may be exercised during the period from 1 July 2006 and 31 December 2006.

**Equity interests in associates and joint ventures**

Details of interests in associates and joint ventures are disclosed in note 14 to the financial statements.

**Equity interests in other related parties**

DTT Consolidated Limited holds 3% of the ordinary share capital of DTT Related plc, a subsidiary of the ultimate parent entity, DTT Overseas plc.

### (b) Key management personnel remuneration

AASB124.16, AASB1046.7.1, 7.2 Details of key management personnel remuneration are disclosed in note 4 to the financial statements.

AASB1046.9.1(a), (b), 9.2

### (c) Loan disclosures

| 2005 | Balance at beginning $ | Interest charged $ | Interest not charged $ | Write-off $ | Balance at end $ | Number in group |
|---|---|---|---|---|---|---|
| Specified directors | - | 33,167 | - | - | 2,420,000 | 3 |
| Specified executives | - | - | - | - | - | - |
| **Total** | - | 33,167 | - | - | 2,420,000 | 3 |

| 2004 | Balance at beginning $ | Interest charged $ | Interest not charged $ | Write-off $ | Balance at end $ | Number in group |
|---|---|---|---|---|---|---|
| Specified directors | - | - | - | - | - | - |
| Specified executives | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - |

AASB1046.9.1(c), 9.2

**Specified individuals with loans above $100,000 in the reporting period**

| 2005 | Balance at beginning $ | Interest charged $ | Interest not charged $ | Write-off $ | Balance at end $ | Highest in period $ |
|---|---|---|---|---|---|---|
| **Specified directors** | | | | | | |
| F.R. Ridley | - | 8,977 | - | - | 1,345,000 | 1,345,000 |
| A.K. Black | - | 8,070 | - | - | 269,000 | 269,000 |
| L.A. Lochert | - | 16,120 | - | - | 806,000 | 806,000 |
| **Specified executives** | | | | | | |
| *[name]* | - | - | - | - | - | - |

AASB1046.9.2(h) Directors and executives are charged interest on loans provided by the company at 12%p.a., which is comparable to the average commercial rate of interest. Interest on the loan is payable monthly. Loans are provided for a maximum period of 12 months.

AASB1046.9.2.1, 11.1 Comparative amounts are required for group aggregates. Comparative information in relation to specified individuals with loans above $100,000 in the reporting period is not required.

AASB1046.9.2.2 The difference between the amount of interest that would be charged in an arm's length transaction and the interest on the loan provided to the specified director or specified executive and any amount of loan written down or provided against shall be included in the remuneration of the specified individual as a primary non-monetary benefit.

Source reference

## 56. Related party disclosures (cont'd)

### (d) Key management personnel equity holdings

AASB1046.8.1

The financial report shall include disclosure of the equity instruments issued or issuable by the disclosing entity and any of its subsidiaries by each class of equity instrument identifying each class by:

(a) the name of the issuing entity;
(b) the class of equity instrument; and
(c) if the instrument is an option or right, the class and number of equity instruments for which it may be exercised.

An equity holding shall be included in these disclosures only once in respect of the same equity instrument. That is, an indirect holding in the disclosing entity (or a subsidiary of that disclosing entity) through a personally-related entity of a specified person is not again considered as a direct holding of that personally-related entity when considering the equity holdings of that specified person (including their personally-related entities).

AASB1046.8.1(a), 8.1(b), 8.3(a), 8.5

**Fully paid ordinary shares of DTT Consolidated Limited**

| | Balance@ 1/1/05 No. | Granted as remune-ration No. | Received on exercise of options No. | Net other change No. | Balance@ 31/12/05 No. | Balance held nominally No. |
|---|---|---|---|---|---|---|
| **Specified directors** | | | | | | |
| C.J. Chambers | 5,000 | - | - | - | 5,000 | - |
| P.H. Taylor | 1,500 | - | 50,000 | (1,500) | 50,000 | - |
| A.K. Black | 1,000 | - | - | - | 1,000 | - |
| **Specified executives** | | | | | | |
| W.L. Lee | 2,520 | - | 6,250 | 3,500 | 12,270 | 3,500 |
| L.J. Jackson | 1,250 | - | 6,250 | (1,500) | 6,000 | 800 |
| C.P. Daniels | 4,584 | - | 4,167 | - | 8,751 | - |
| N.W. Wright | - | - | 4,167 | - | 4,167 | - |
| | 15,854 | - | 70,834 | 500 | 87,188 | 4,300 |

AASB1046.8.1(a), 8.1(b), 8.5

**Partly paid ordinary shares of DTT Consolidated Limited**

| | Balance@ 1/1/05 No. | Granted as remune-ration No. | Received on exercise of options No. | Net other change No. | Balance@ 31/12/05 No. | Balance held nominally No. |
|---|---|---|---|---|---|---|
| **Specified directors** | | | | | | |
| C.J. Chambers | 833 | - | - | - | 833 | - |
| P.H. Taylor | 8,167 | - | - | - | 8,167 | - |
| A.K. Black | 167 | - | - | - | 167 | - |
| **Specified executives** | | | | | | |
| W.L. Lee | 1,000 | - | - | - | 1,000 | - |
| | 10,167 | - | - | - | 10,167 | - |

AASB1046.8.1(a), 8.1(b), 8.5

**Converting cumulative non-participating preference shares of DTT Consolidated Limited**

| | Balance@ 1/1/05 No. | Granted as remune-ration No. | Received on exercise of options No. | Net other change No. | Balance@ 31/12/05 No. | Balance held nominally No. |
|---|---|---|---|---|---|---|
| **Specified directors** | | | | | | |
| P.H. Taylor | 25,000 | - | - | - | 25,000 | - |
| **Specified executives** | | | | | | |
| W.L. Lee | 1,000 | - | - | - | 1,000 | - |
| | 26,000 | - | - | - | 26,000 | - |

Source reference

## 56. Related party disclosures (cont'd)

AASB1046.8.1(a), 8.1(b), 8.5

**Convertible notes of DTT Consolidated Limited**

| | Balance@ 1/1/05 No. | Granted as remune-ration No. | Received on exercise of options No. | Net other change No. | Balance@ 31/12/05 No. | Balance held nominally No. |
|---|---|---|---|---|---|---|
| **Specified directors** | | | | | | |
| C.J. Chambers | - | - | - | 3,000 | 3,000 | - |
| P.H. Taylor | - | - | - | 15,000 | 15,000 | - |
| A.K. Black | - | - | - | 2,000 | 2,000 | - |
| | - | - | - | 20,000 | 20,000 | - |

AASB1046.8.1, 8.2(a), 8.4

**Executive share options of DTT Consolidated Limited**

| | Bal @ 1/1/05 No. | Granted as remu-neration No. | Exer-cised No. | Net other change No. | Bal @ 31/12/05 No. | Bal vested @ 31/12/05 No. | Vested but not exerci-sable No. | Vested and exerci-sable No. | Options vested during year No. |
|---|---|---|---|---|---|---|---|---|---|
| **Specified directors** | | | | | | | | | |
| P.H. Taylor | 50,000 | 88,000 | 50,000 | - | 88,000 | 88,000 | - | 88,000 | 88,000 |
| **Specified executives** | | | | | | | | | |
| W.L. Lee | - | 6,250 | 6,250 | - | - | - | - | - | 6,250 |
| L.J. Jackson | - | 6,250 | 6,250 | - | - | - | - | - | 6,250 |
| C.P. Daniels | - | 4,167 | 4,167 | - | - | - | - | - | 4,167 |
| N.W. Wright | - | 4,167 | 4,167 | - | - | - | - | - | 4,167 |
| T.L. Smith | - | 33,000 | - | - | 33,000 | - | - | - | - |
| | 50,000 | 141,834 | 70,834 | - | 121,000 | 88,000 | - | 88,000 | 108,834 |

AASB1046.8.2(b), 8.3(a), 8.3(d)

All executive share options issued to the directors during the financial year were made in accordance with the provisions of the executive share option plan.

During the financial year, 70,834 options were exercised by specified directors and executives for 70,834 ordinary shares in DTT Consolidated Limited. No amounts remain unpaid on the options exercised during the financial year at year end.

Further details of the executive share option plan and of share options granted during the financial year is contained in notes 4 and 5 to the financial statements.

### Equity holdings held nominally

AASB1046.8.5(f)

The financial report shall disclose, in respect of equity holdings (other than options and rights) held directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, the number held nominally at the reporting date

Nominally means 'in name only'. Disclosure of equity holdings held nominally means disclosure of the equity instruments held by the specified person (or a personally related entity) in his or her name for the benefit of someone outside the specified person's personally related entity group.

### Disclosure of non-arm's length transactions involving equity compensation

AASB1046.8.6

Where transactions involving equity instruments other than those granted as equity compensation have occurred between a specified individual or their personally-related entities and the issuing entity during the financial year on terms or conditions that were more favourable than those in an arm's length transaction, the financial report shall disclose the nature of the transaction and details of the terms and conditions.

Source reference

## 56. Related party disclosures (cont'd)

### (e) Other transactions with specified directors

| Source reference | | Consolidated 2005 $ | Consolidated 2004 $ |
|---|---|---|---|
| | The profit from operations includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with specified directors or their personally-related entities: | | |
| AASB1046.10.3(a)(i) | Interest revenue | 20,833 | - |
| AASB1046.10.3(a)(ii) | Dividends | - | - |
| | Other | - | - |
| AASB1046.10.3(a) | Total recognised as revenue | 20,833 | - |
| AASB1046.10.3(b)(i) | Interest expense | - | - |
| AASB1046.10.3(b)(ii) | Net amounts written-off and allowances for doubtful debts in respect of receivables | - | - |
| | Other | - | - |
| AASB1046.10.3(b) | Total recognised as expenses | - | - |
| AASB1046.10.4(a) | Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with specified directors or their personally-related entities as at reporting date: | | |
| | Current | 500,000 | - |
| | Allowance for doubtful receivables | - | - |
| | Non-current | - | - |
| | | 500,000 | - |
| AASB1046.10.4(b) | Total liabilities arising from transactions other than remuneration with specified directors or their personally-related entities as at reporting date: | | |
| | Current | - | - |
| | Non-current | - | - |
| | | - | - |

AASB1046.10.1 During the financial year, the consolidated entity recognised interest revenue of $20,833 in relation to debentures offered by a personally-related company of Mr B.M. Stavrinidis and held by DTT Finance Limited. The debentures return interest of 6% p.a., payable monthly. The debentures mature on 3 March 2006.

### (f) Other transactions with specified executives

| Source reference | | Consolidated 2005 $ | Consolidated 2004 $ |
|---|---|---|---|
| | The profit from operations includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with specified executives or their personally-related entities: | | |
| AASB1046.10.3(a)(i) | Interest revenue | - | - |
| AASB1046.10.3(a)(ii) | Dividends | - | - |
| | Other | - | - |
| AASB1046.10.3(a) | Total recognised as revenue | - | - |
| AASB1046.10.3(b)(i) | Interest expense | - | - |
| AASB1046.10.3(b)(ii) | Net amounts written-off and allowances for doubtful debts in respect of receivables | - | - |
| | Other | - | - |
| AASB1046.10.3(b) | Total recognised as expenses | - | - |

Source reference

## 56. Related party disclosures (cont'd)

| Source reference | | Consolidated 2005 $ | Consolidated 2004 $ |
|---|---|---|---|
| AASB1046.10.4(a) | Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with specified executives or their personally-related entities as at reporting date: | | |
| | Current | - | - |
| | Allowance for doubtful receivables | - | - |
| | Non-current | - | - |
| | | - | - |
| AASB1046.10.4(b) | Total liabilities arising from transactions other than remuneration with specified executives or their personally-related entities as at reporting date: | | |
| | Current | - | - |
| | Non-current | - | - |
| | | - | - |

### Disclosures of other transactions and balances

AASB1046.10.1, 10.2 In respect of transactions during the reporting period between the disclosing entity (and any of its subsidiaries) and specified directors and specified executives (including their personally-related entities), other than transactions that affect remuneration or equity instruments held by specified directors and specified executives or loans to specified directors and specified executives, the following details shall be disclosed:

(a) each type of transaction of different nature;

(b) the terms and conditions of each type of transaction or, where there are different categories of terms and conditions within each type, the terms and conditions of each category of transaction; and

(c) for each type of transaction or, where there are different categories within each type, each category of transaction:

  (i) the names of the specified directors and specified executives involved; and

  (ii) the aggregate amount recognised.

AASB1046.10.5 Transactions with and amounts receivable from or payable to specified directors and specified executives do not have to be disclosed when:

(a) they occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated individual; and

(b) information about them does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the director or executive; and

(c) they are trivial or domestic in nature.

AASB1046.10.5.1 For transactions and amounts meeting all three conditions specified above, it is not necessary to provide any details, general description or indication of their existence.

### (g) Transactions with other related parties

AASB124.18 Other related parties include:

- the parent entity;
- entities with joint control or significant influence over the consolidated entity;
- associates;
- joint ventures in which the entity is a venturer;
- subsidiaries;
- key management personnel of DTT Ultimate Limited
- former key management personnel; and
- other related parties.

Source reference

## 56. Related party disclosures (cont'd)

**Non-disclosing entities** shall disclose transactions and outstanding balances with key management personnel of the consolidated entity together with transactions and outstanding balances with key management personnel of the external parent entity.

Examples of transactions with related parties are purchases or sales of goods and services with related parties, and payments to certain post-employment plans. Examples of outstanding balances with related parties are related party trade payables and loans from related parties. Entities should also disclose related party transactions arising from share-based remuneration arrangements whereby employees of subsidiaries are remunerated with shares of the parent.

Transactions and outstanding balances that are trivial or domestic in nature

AASB1046.10.5 AASB 1046, which applies only to disclosing entities, specifies that transactions with and amounts receivable from or payable to specified directors and specified executives [i.e. the key management personnel] do not have to be disclosed when:

(a) they occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated individual; and

(b) information about them does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the director or executive; and

(c) they are trivial or domestic in nature.

AASB 124 does not include a similar exclusion. Accordingly, **non-disclosing entities** reporting in accordance with AASB 124 may be required to make disclosures of key management personnel which may not be required of disclosing entities by AASB 1046, however, such disclosures may be made in aggregate in respect of all key management personnel (including key management personnel of the external parent entity). For example, non-disclosing entities shall disclose details of accumulated leave balances of key management personnel, which may not be a disclosure necessarily made by disclosing entities.

AASB124.17(c), 17(d) Details of write-downs of receivables in respect of transactions with these related parties are disclosed in note 2 to the financial statements. No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2004: nil).

AASB124.17(b)(i) Amounts receivable from and payable to these related parties are disclosed in notes 8, 15, 25 and 31 to the financial statements. All loans advanced to and payable to related parties are unsecured and subordinate to other liabilities. Interest is charged monthly on the outstanding intercompany loan balance at 6%p.a. All other related party loans attract commercial interest rates. During the financial year, DTT Consolidated Limited received interest of $1,800 thousand (2004: $1,235 thousand) from loans to subsidiaries, and paid interest of $900 thousand (2004: $920 thousand) to subsidiaries. DTT Consolidated Limited also paid interest of $6 thousand (2004: $156 thousand) in relation to other related party loans. The consolidated entity received interest of $54 thousand (2004: nil) from loans to other related parties, and paid interest of $2,195 thousand (2004: $2,401 thousand) to other related parties.

**Transactions involving the parent entity**

AASB124.17(a) During the financial year, DTT Consolidated Limited recognised a net receivable of $3,602 thousand (2004: $3,628 thousand) from its wholly-owned subsidiaries for their tax payable for the current period.

AASB124.17(a) During the financial year, DTT Consolidated Limited received dividends of $11,895 thousand (2004: $13,914 thousand) from its subsidiaries. It received dividends of $23 thousand (2004: $23 thousand) from DTT Related plc.

AASB124.17(a) During the financial year, DTT Consolidated Limited provided accounting and administration services totalling $120 thousand (2004: $80 thousand) to its subsidiaries for no consideration.

AASB124.17(a) During the financial year, DTT Consolidated Limited rented premises from an associate at commercial rates totalling $20 thousand (2004: $18 thousand).

AASB124.17(a) During the financial year, DTT Consolidated Limited received management services from the ultimate Australian parent entity, DTT Ultimate Limited, for no charge. The total value of the services received was $522 thousand (2004: $495 thousand).

Source reference

## 56. Related party disclosures (cont'd)

AASB124.17(a) During the financial year, DTT Consolidated Limited contributed $25 thousand ($30 thousand) to its defined contribution plan.

**Transactions involving other related parties**

AASB124.17(a) During the financial year, subsidiaries of DTT Consolidated Limited contributed cash totalling $440 thousand to the consolidated entity's defined benefit superannuation plans (2004: $440 thousand). Cash contributions of $135 thousand (2004: $118 thousand) were made to the defined contribution plan.

AASB124.17(a) During the financial year, former directors of DTT Consolidated Limited purchased goods from associates on normal commercial terms and conditions totalling $1,955 thousand (2004: $1,805 thousand).

AASB124.17(a) During the financial year, associates of DTT Consolidated Limited sold goods to associates on normal commercial terms and conditions totalling $3,991 thousand (2004: $3,494 thousand).

**Terms and conditions of related party transactions**

AASB124.21 Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.

**Separate disclosure of individual transactions**

AASB124.22 Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

**Transactions eliminated on consolidation**

AASB124.4 Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial report. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group.

**Guarantees provided or received**

AASB124.17(b)(ii) Details of any guarantees given or received in relation to outstanding related party balances shall be disclosed.

**(h) Parent entities**

AASB124.12, The parent entity in the consolidated entity is DTT Consolidated Limited.

AASB127.Aus40.1(a) The ultimate Australian parent entity is DTT Ultimate Limited.

The ultimate parent entity is DTT Overseas plc.

AASB124.12 If neither the entity's parent nor the ultimate controlling party produces financial reports available for public use the name of the next most senior parent that does so shall also be disclosed.

AASB124.Aus12.1 When any of the parent entities or ultimate controlling parties named above is incorporated or otherwise constituted outside Australia, an entity shall:

(a) identify which of those entities is incorporated overseas and where; and

(b) disclose the name of the ultimate controlling entity incorporated within Australia.

Source reference

## 57. Subsequent events

AASB110.21 The financial report shall disclose for each material category of subsequent events (other than those events whose financial effects have already been brought to account):

(a) the nature of the event; and

(b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

AASB110.22 Examples of events occurring after reporting date that do not provide evidence about conditions existing at the reporting date include:

- a major business combination after the reporting date or disposing of a major subsidiary;
- announcing a plan to discontinue an operation;
- major purchases of assets, classifications of assets as held for sale, other disposals of assets, or expropriation of major assets by government;
- the destruction of a major production plant by a fire after the reporting date;
- announcing, or commencing the implementation of, a major restructuring;
- major ordinary share transactions and potential ordinary share transactions after the reporting date;
- abnormally large changes after the reporting date in asset prices or foreign exchange rates
- changes in tax rates or tax laws enacted or announced after the reporting date that have a significant effect on current and deferred tax assets and liabilities;
- entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and
- commencing major litigation arising solely out of events that occurred after the reporting date.

AASB110.8, 19 The effects of events after reporting date providing evidence of conditions that existed at the reporting date shall be brought to account rather than disclosed by way of note to the financial statements. If an entity receives information after the reporting date about conditions that existed at the reporting date, it shall update disclosures that relate to these conditions, in the light of the new information.

### Acquisition of businesses

AASB3.66(b), 67, 71 An entity shall disclose information that enables users of its financial report to evaluate the nature and financial effect of business combinations that were effected after the reporting date but before the financial report was authorised for issue. To give effect to this principle, the acquirer shall disclose, for each business combination, unless such disclosure would be impractical:

(a) the names and descriptions of the combining entities or businesses;

(b) the acquisition date;

(c) the percentage of voting equity instruments acquired;

(d) the cost of the combination and a description of the components of that cost, including any costs directly attributable to the combination. When equity instruments are issued or issuable as part of the cost, the following shall also be disclosed:

  (i) the number of equity instruments issued or issuable; and

  (ii) the fair value of those instruments and the basis for determining that fair value. If a published price does not exist for the instruments at the date of exchange, the significant assumptions used to determine fair value shall be disclosed. If a published price exists at the date of exchange but was not used as the basis for determining the cost of the combination, that fact shall be disclosed together with: the reasons the published price was not used; the method and significant assumptions used to attribute a value to the equity instruments; and the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments;

(e) details of any operations the entity has decided to dispose of as a result of the combination;

Source reference

## 57. Subsequent events (cont'd)

(f) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, and the carrying amounts of each of those classes, determined in accordance with Accounting Standards, immediately before the combination;

(g) the amount of any excess recognised in profit or loss, and the line item in the income statement in which the excess is recognised;

(h) a description of the factors that contributed to a cost that results in the recognition of goodwill – a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably – or a description of the nature of any excess recognised in profit or loss; and

(i) the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period.

If disclosure of any of this information would be impractical, that fact shall be disclosed, together with an explanation of why this is the case.

## 58. Notes to the cash flow statement

| Source reference | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| AASB107.45 | **(a) Reconciliation of cash and cash equivalents** | | | | |
| | For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows: | | | | |
| | Cash and cash equivalents | 20,199 | 19,778 | 8,626 | 6,681 |
| | Bank overdraft | (538) | (378) | (502) | (212) |
| | | 19,661 | 19,400 | 8,124 | 6,469 |
| | Cash and cash equivalents attributable to discontinued operations (note 55) | 1,435 | - | - | - |
| | | 21,096 | 19,400 | 8,124 | 6,469 |
| AASB107.40 | **(b) Businesses acquired** | | | | |
| | During the financial year, two businesses were acquired. Details of the acquisition are as follows (note 53): | | | | |
| | **Consideration** | | | | |
| | Cash and cash equivalents | 822 | - | - | - |
| | Land and buildings | 400 | - | - | - |
| | Ordinary shares | - | - | - | - |
| | Deferred purchase consideration (note 24) | - | - | - | - |
| | Other *[describe]* | - | - | - | - |
| | | 1,222 | - | - | - |

Source reference

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

| | | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| | **Fair value of net assets acquired** | | | | |
| | Current assets: | | | | |
| | Cash and cash equivalents | 200 | - | - | - |
| | Receivables | 192 | - | - | - |
| | Inventories | 90 | - | - | - |
| | Non-current assets: | | | | |
| | Property, plant and equipment | 454 | - | - | - |
| | Current liabilities: | | | | |
| | Payables | (58) | - | - | - |
| | Non-current liabilities: | | | | |
| | Deferred tax liability | (46) | - | - | - |
| | Net assets acquired | 832 | - | - | - |
| | Goodwill on acquisition | 390 | - | - | - |
| | | 1,222 | - | - | - |
| | **Net cash outflow on acquisition** | | | | |
| | Cash and cash equivalents consideration | 822 | - | - | - |
| | Less cash and cash equivalent balances acquired | (200) | - | - | - |
| | | 622 | - | - | - |
| AASB107.40 | **(c) Business disposed** | | | | |
| | During the financial year, the consolidated entity disposed of its bicycle business. Details of the disposal are as follows: | | | | |
| | **Consideration** | | | | |
| | Cash and cash equivalents | 7,854 | - | - | - |
| | Deferred sales proceeds (note 7) | 1,566 | - | - | - |
| | | 9,420 | - | - | - |
| | **Book value of net assets sold** | | | | |
| | Current assets: | | | | |
| | Cash and cash equivalents | 988 | - | - | - |
| | Receivables | 1,034 | - | - | - |
| | Inventories | 2,716 | - | - | - |
| | Non-current assets: | | | | |
| | Property, plant and equipment | 5,662 | - | - | - |
| | Goodwill on consolidation | 3,080 | - | - | - |
| | Current liabilities: | | | | |
| | Payables | (918) | - | - | - |
| | Non-current liabilities: | | | | |
| | Borrowings | (4,342) | - | - | - |
| | Deferred tax liabilities | (1,226) | - | - | - |
| | Net assets disposed | 6,994 | - | - | - |
| | Minority interest | 606 | - | - | - |
| | Gain on disposal | 1,820 | - | - | - |
| | | 9,420 | - | - | - |

**Source reference**

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

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| **Net cash inflow on disposal** | | | | |
| Cash and cash equivalents consideration | 7,854 | - | - | - |
| Less cash and cash equivalent balances disposed | (988) | - | - | - |
| | 6,866 | - | - | - |

AASB107.43, 50(a)

**(d) Non-cash financing and investing activities**

During the financial year, the consolidated entity disposed of property, plant and equipment with an aggregate fair value of $400 thousand to acquire the business indicated in note 53. This disposal is not reflected in the cash flow statement.

During the financial year, the consolidated entity paid for consulting services with an aggregate value of $8 thousand by way of equity instruments of the company. This expense is not reflected in the cash flow statement.

AASB132.Aus94.1
AASB107.50(a)

**(e) Financing facilities**

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| Unsecured bank overdraft facility, reviewed annually and payable at call: | | | | |
| • amount used | 538 | 378 | 502 | 212 |
| • amount unused | 1,540 | 2,776 | 498 | 788 |
| | 2,078 | 3,154 | 1,000 | 1,000 |
| Unsecured bill acceptance facility, reviewed annually: | | | | |
| • amount used | 358 | 916 | - | - |
| • amount unused | 1,142 | 1,184 | - | - |
| | 1,500 | 2,100 | - | - |
| Secured bank loan facilities with various maturity dates through to 2008 and which may be extended by mutual agreement: | | | | |
| • amount used | 15,905 | 17,404 | 8,000 | 9,500 |
| • amount unused | 5,604 | 7,811 | 2,000 | 3,000 |
| | 21,509 | 25,215 | 10,000 | 12,500 |

**(f) Cash balances not available for use**

AASB107.48

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

Source reference

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

AASB107.Aus20.1

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

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| Profit for the period | 26,552 | 30,332 | 13,891 | 12,426 |
| (Gain)/loss on sale or disposal of non-current assets | (18) | (67) | (24) | 2 |
| (Gain)/loss on revaluation of investment property | 6 | (8) | - | - |
| (Gain)/loss on disposal of business | (1,820) | - | - | - |
| (Gain)/loss on revaluation of fair value through profit or loss financial assets | 25 | - | (23) | - |
| Cumulative (gain)/loss transferred from equity on sale of available-for-sale financial assets | - | - | - | - |
| Cumulative (gain)/loss transferred from equity on impairment of available-for-sale financial assets | - | - | - | - |
| Share of associates' profit (less dividends) | (910) | (1,564) | - | - |
| Share of jointly controlled entities' profit (less dividends) | (246) | - | - | - |
| Depreciation and amortisation of non-current assets | 15,179 | 17,350 | 48 | 45 |
| Foreign exchange (gain)/loss | (144) | 68 | (12) | (8) |
| Foreign exchange (gain)/loss recognised on disposal | (120) | - | - | - |
| Equity settled share-based payment | 206 | 338 | 206 | 338 |
| Interest income received and receivable | (1,947) | (1,089) | (3,248) | (1,747) |
| Dividends received and receivable | (181) | (179) | (8,945) | (10,961) |
| Impairment of non-current assets | 219 | - | - | - |
| Non-cash interest expense | 28 | - | 28 | - |
| Increase/(decrease) in current tax liability | (585) | 3,179 | (19) | 2,645 |
| Increase/(decrease) in deferred tax balances | (1,328) | (633) | 460 | (11) |
| Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses: | | | | |
| (Increase)/decrease in assets: | | | | |
| Current receivables | (1,893) | 865 | (1,694) | (499) |
| Current inventories | 1,434 | (2,118) | 20 | (40) |
| Other current assets | - | - | - | - |
| Non-current receivables | - | - | - | - |
| Non-current inventories | - | - | - | - |

Source reference

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

| | Consolidated 2005 $'000 | Consolidated 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|
| Increase/(decrease) in liabilities: | | | | |
| Current payables | (3,392) | (9,910) | (1,621) | 15 |
| Current provisions | 169 | 42 | 16 | 20 |
| Other current liabilities | - | 5 | - | - |
| Non-current payables | - | - | - | - |
| Non-current provisions | (28) | (108) | (28) | (50) |
| Other non-current liabilities | (90) | (80) | - | - |
| Net cash from operating activities | 31,116 | 36,423 | (945) | 2,175 |

### Other disclosures

AASB107.50(a) Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged and may include:

(a) the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities;

(b) the aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity; and

(c) the amount of the cash flows arising from the operating, investing and financing activities of each reported industry and geographical segment (refer also note 54).

## 59. Financial instruments

An entity that elects not to restate comparative information under the scope of Accounting Standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' shall provide comparative disclosures that comply with the requirements in the superseded Accounting Standards. For reference purposes, these model financial statements reflect the source of the applicable illustrative disclosures relating to the comparative period.

AASB132.54 Determination of the level of disclosure is a matter of professional judgement taking into account the relevant significance of the financial instruments.

The following illustrations are quoted by way of example only, and do not necessarily represent the only disclosures which may be appropriate for particular financial instruments and do not cover all financial instruments that may be used in practice.

**(a) Financial risk management objectives**

AASB132.56, 57 An entity shall describe its financial risk management objectives and policies, including its policy for hedging each main type of forecast transaction for which hedge accounting is used.

An entity provides a discussion of the extent to which financial instruments are used, the associated risks and the business purposes served. A discussion of management's policies for controlling the risks associated with financial instruments includes policies on matters such as hedging of risk exposures, avoidance of undue concentrations of risk and requirements for collateral to mitigate credit risk.

The consolidated entity's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the board of directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

Source reference

## 59. Financial instruments (cont'd)

AASB132.56, 57, AASB1033.5.3

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of widgets to the United States and Japan;
- currency swaps to manage the foreign currency risk associated with foreign currency denominated borrowings;
- forward interest rate contracts to manage interest rate risk; and
- interest rate swaps to mitigate the risk of rising interest rates.

### (b) Significant accounting policies

AASB132.60(b), AASB1033.5.2(a)

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

### (c) Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and currency swap agreements.

**Forward foreign exchange contracts**

AASB132.56, 58, 60(a), AASB1033.5.2(b), 5.2.2

It is the policy of the consolidated entity to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 70% to 80% of the exposure generated. The consolidated entity also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 6 months within 40% to 50% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The following table details the forward foreign currency contracts outstanding as at reporting date:

| Outstanding contracts | Average exchange rate 2005 | 2004 | Foreign currency 2005 FC'000 | 2004 FC'000 | Contract value 2005 $'000 | 2004 $'000 | Fair value 2005 $'000 | 2004 $'000 |
|---|---|---|---|---|---|---|---|---|
| **Buy US Dollars** | | | | | | | | |
| Less than 3 months | 0.770 | 0.768 | 2,493 | 2,010 | 3,238 | 2,617 | 64 | 60 |
| 3 to 6 months | 0.768 | 0.750 | 1,974 | 1,958 | 2,570 | 2,611 | (40) | 34 |
| **Sell US Dollars** | | | | | | | | |
| Less than 3 months | 0.780 | 0.769 | 982 | 1,028 | 1,259 | 1,337 | (30) | 9 |
| 3 to 6 months | - | - | - | - | - | - | - | - |
| **Buy Japanese Yen** | | | | | | | | |
| Less than 3 months | 86.29 | 90.53 | 12,850 | 9,780 | 149 | 108 | (5) | 7 |
| 3 to 6 months | - | - | - | - | - | - | - | - |
| | | | | | | | (11) | 110 |

AASB1033.5.8(a), (b)

The consolidated entity has entered into contracts to supply widgets to customers in the United States and Japan. The consolidated entity has entered into forward foreign exchange contracts (for terms not exceeding 6 months) to hedge the exchange rate risk arising from these anticipated future transactions.

AASB132.58(d), AASB1033.5.8(c)

As at reporting date the aggregate amount of unrealised losses under forward foreign exchange contracts relating to anticipated future transactions is $10 thousand (2004: unrealised gains of $113 thousand). In the current year, these unrealised gains have been deferred in the hedging reserve to the extent the hedge is effective.

Source reference

## 59. Financial instruments (cont'd)

AASB132.58(d)

A description of any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur shall be disclosed.

### Currency swaps

AASB132.58 60(a), AASB1033.5.2(b), 5.2.2

Under currency swap contracts, the consolidated entity agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the consolidated entity to mitigate the risk of adverse movements in foreign exchange rates.

The following table details the currency swaps outstanding as at reporting date.

| Outstanding contracts | Average interest rate | | Average exchange rate | | Contract value | | Fair value | |
|---|---|---|---|---|---|---|---|---|
| | 2005 % | 2004 % | 2005 $ | 2004 $ | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| **Sell US Dollars** | | | | | | | | |
| Less than 1 year | LIBOR +5bp. | LIBOR +8bp. | 0.784 | 0.768 | 2,054 | 3,607 | 52 | 102 |
| | | | | | 2,054 | 3,607 | 52 | 102 |

**(d) Interest rate risk management**

AASB132.67

Information about the consolidated entity's exposure to interest rate risk shall include:

- contractual repricing or maturity dates, whichever dates are earlier; and
- effective interest rates, when applicable.

AASB132.74

The nature of an entity's business and the extent of its activity in financial instruments determine whether information about interest rate risk is present in narrative form, in tables or by using a combination of the two.

AASB132.56, 58(b), 58(c)

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts.

### Interest rate swap contracts

AASB132.58(a), 58(b), 58(d), 60(a), AASB1033.5.2(b), 5.2.2

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

| Outstanding floating for fixed contracts | Average contracted fixed interest rate | | Notional principal amount | | Fair value | |
|---|---|---|---|---|---|---|
| | 2005 % | 2004 % | 2005 $'000 | 2004 $'000 | 2005 $'000 | 2004 $'000 |
| Less than 1 year | 7.45 | 6.75 | 5,650 | 1,590 | 300 | 20 |
| 1 to 2 years | 7.15 | 7.05 | 5,457 | 1,620 | 391 | 30 |
| 2 to 5 years | 6.75 | 6.50 | 5,290 | 1,890 | 620 | 110 |
| 5 years + | 7.05 | 7.15 | 5,978 | - | 210 | - |
| | | | 22,375 | 5,100 | 1,521 | 160 |

From 1 January 2005, interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated and effective as cash flow hedges. Interest rate swaps outstanding at 31 December 2004 were recognised as financial assets on adoption of the accounting policies specified in note 1(ae)).

Source reference

## 59. Financial instruments (cont'd)

| Outstanding fixed for floating contracts | Average contracted floating interest rate 2005 % | Average contracted floating interest rate 2004 % | Notional principal amount 2005 $'000 | Notional principal amount 2004 $'000 | Fair value 2005 $'000 | Fair value 2004 $'000 |
|---|---|---|---|---|---|---|
| Less than 1 year | 7.62 | - | 10,000 | - | (5) | - |
| *[describe]* | - | - | - | - | - | - |
| | | | 10,000 | - | (5) | - |

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges.

### Maturity profile of financial instruments

AASB132.67, 71, 74 The following table details the consolidated entity's exposure to interest rate risk as at 31 December 2005:

| 2005 | Weighted average effective interest rate % | Variable interest rate $'000 | Fixed maturity dates: Less than 1 year $'000 | 1-2 years $'000 | 2-3 years $'000 | 3-4 years $'000 | 4-5 years $'000 | 5+ years $'000 | Non interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | | | | | |
| Cash and cash equivalents | 5.20 | 21,634 | - | - | - | - | - | - | - | 21,634 |
| Trade receivables | - | - | - | - | - | - | - | - | 19,638 | 19,638 |
| Finance lease receivables | - | - | - | - | - | - | - | - | - | - |
| Operating lease receivables | - | - | - | - | - | - | - | - | - | - |
| Foreign currency forward contracts | - | - | - | - | - | - | - | - | 64 | 64 |
| Interest rate swaps | - | - | - | - | - | - | - | - | 1,521 | 1,521 |
| Currency swaps | - | - | - | - | - | - | - | - | 52 | 52 |
| Other receivables | - | - | - | - | - | - | - | - | 1,860 | 1,860 |
| Shares and options | - | - | - | - | - | - | - | - | 5,940 | 5,940 |
| Bills of exchange | 7.10 | 6,363 | - | - | - | - | - | - | - | 6,363 |
| Debentures | 6.00 | - | 500 | - | - | - | - | - | - | 500 |
| Related party loans | 12.00 | - | 3,637 | - | - | - | - | - | - | 3,637 |
| Convertible notes | 7.00 | - | - | - | 2,200 | - | - | - | - | 2,200 |
| | | 27,997 | 4,137 | - | 2,200 | - | - | - | 29,075 | 63,409 |
| **Financial liabilities:** | | | | | | | | | | |
| Trade payables | - | - | - | - | - | - | - | - | 16,576 | 16,576 |
| Foreign currency forward contracts | - | - | - | - | - | - | - | - | 75 | 75 |
| Interest rate swaps | - | - | - | - | - | - | - | - | 5 | 5 |
| Currency swaps | - | - | - | - | - | - | - | - | - | - |
| Cash settled share-based payment | - | - | - | - | - | - | - | - | - | - |
| Other payables | - | - | - | - | - | - | - | - | 61 | 61 |
| Bank overdraft | 10.50 | 538 | - | - | - | - | - | - | - | 538 |
| Bank loans | 11.21 | 10,000 | 4,923 | 682 | 300 | - | - | - | - | 15,905 |
| Related party loans | 10.90 | 12,917 | - | - | - | - | - | - | - | 12,917 |
| Other loans | 11.20 | - | 3,701 | 201 | 374 | - | - | - | - | 4,276 |
| Bills of exchange | 6.80 | 358 | - | - | - | - | - | - | - | 358 |
| Debentures | 6.00 | - | 1,900 | 1,900 | 800 | - | - | - | - | 4,600 |
| Finance lease liabilities | 7.00 | - | 9 | 5 | - | - | - | - | - | 14 |
| Redeemable cumulative preference shares | 7.00 | - | - | - | 15,000 | - | - | - | - | 15,000 |
| Convertible notes | 5.50 | - | - | - | - | 4,144 | - | - | - | 4,144 |
| Perpetual notes | 6.00 | - | - | - | - | - | - | 1,905 | - | 1,905 |
| Employee benefits | - | - | - | - | - | - | - | - | 4,272 | 4,272 |
| Other provisions | - | - | - | - | - | - | - | - | 2,356 | 2,356 |
| | | 23,813 | 10,533 | 2,788 | 16,474 | 4,144 | - | 1,905 | 23,345 | 83,002 |

**Source reference**

## 59. Financial instruments (cont'd)

AASB1033.5.4

The following table details the consolidated entity's exposure to interest rate risk as at 31 December 2004:

| 2004 | Weighted average effective interest rate % | Variable interest rate $'000 | Maturity dates: Less than 1 year $'000 | Maturity dates: 1-5 years $'000 | Maturity dates: More than 5 years $'000 | Non interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | | |
| Cash and cash equivalents | 6.00 | 19,777 | - | - | - | - | 19,777 |
| Trade and other receivables | - | - | - | - | - | 16,947 | 16,947 |
| Foreign currency forward contracts | - | - | - | - | - | 113 | 113 |
| Currency swaps | - | - | - | - | - | 132 | 132 |
| Other receivables | - | - | - | - | - | 250 | 250 |
| Shares and options | - | - | - | - | - | 5,736 | 5,736 |
| Bills of exchange | 7.00 | 5,262 | - | - | - | - | 5,262 |
| Related party loans | 12.00 | - | 3,088 | - | - | - | 3,088 |
| Convertible notes | 7.00 | - | - | 2,122 | - | - | 2,122 |
| | | 25,039 | 3,088 | 2,122 | - | 23,178 | 53,427 |
| **Financial liabilities:** | | | | | | | |
| Trade payables | - | - | - | - | - | 15,955 | 15,955 |
| Other payables | - | - | - | - | - | 35 | 35 |
| Bank overdraft | 10.50 | 378 | - | - | - | - | 378 |
| Bank loans | 11.00 | 5,100 | 11,244 | 1,060 | - | - | 17,404 |
| Related party loans | 11.20 | 34,124 | - | - | - | - | 34,124 |
| Other loans | 10.80 | - | 3,518 | 649 | - | - | 4,167 |
| Bills of exchange | 6.50 | 916 | | - | - | - | 916 |
| Debentures | 6.00 | - | 1,900 | 4,600 | - | - | 6,500 |
| Finance lease liabilities | 7.00 | - | 54 | 35 | - | - | 89 |
| Interest rate swaps | 6.85 | (5,100) | 2,632 | 2,468 | - | - | - |
| Employee benefits | - | - | - | - | - | 4,388 | 4,388 |
| Other provisions | - | - | - | - | - | 1,185 | 1,185 |
| | | 35,418 | 19,348 | 8,812 | - | 21,563 | 85,141 |

### (d) Credit risk management

AASB132.56, 57, 76, AASB1033.5.5

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The consolidated entity measures credit risk on a fair value basis.

Trade accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Source reference

## 59. Financial instruments (cont'd)

| Financial assets and other credit exposures | Maximum credit risk 2005 $'000 | Maximum credit risk 2004 $'000 |
|---|---|---|
| Unrecognised favourable interest rate swaps (i) | - | 160 |
| Other *[describe]* (ii) | - | - |
| | - | 160 |

(i) The favourable interest rate swaps were recognised as a financial asset on 1 January 2005 on adoption of the accounting policies specified in note 1(ae).

AASB132.82 (ii) An entity may be exposed to credit risk as a result of a transaction in which no financial asset is recognised on its balance sheet, such as for a financial guarantee or credit derivative contract. Guaranteeing an obligation of another party creates a liability and exposes the guarantor to credit risk that is taken into account in making the disclosures required by AASB 132.

### Significant concentrations of credit risk

AASB132.83 Concentrations of credit risk are disclosed when they are not apparent from other disclosures about the nature of the business and financial position of the entity and result in a significant exposure to loss in the event of default by other parties. Identification of such concentrations requires judgement by management taking into account the circumstances of the entity and its debtors. Accounting Standard AASB 114 'Segment Reporting' provides guidance in identifying industry and geographical segments within which credit risk concentrations may arise.

AASB132.84 Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having such a similar characteristic that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. Characteristics that may give rise to a concentration of risk include the nature of the activities undertaken by debtors, such as the industry in which they operate, the geographical area in which activities are undertaken and the level of creditworthiness of groups of borrowers.

AASB132.85 Disclosure of concentrations of credit risk includes a description of the shared characteristic that identifies each concentration and the amount of the maximum credit risk exposure associated with all financial assets sharing that characteristic.

### (e) Fair value of financial instruments

AASB132.87, 88 When an entity does not measure a financial asset or financial liability in its balance sheet at fair value, it provides fair value information through supplementary disclosures. For financial instruments such as short-term trade receivables and payables, no disclosure is required when the carrying amount is a reasonable approximation of fair value.

Except as detailed in the following table, the directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2004: net fair value).

AASB132.92(a), (b), AASB1033.5.6(b), (c) The fair values and net fair values of financial assets and financial liabilities are determined as follows:

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

Transaction costs are included in the determination of net fair value.

Source reference

## 59. Financial instruments (cont'd)

The following tables detail the fair value (2004: net fair value) of financial assets and financial liabilities:

| 2005 | Carrying amount $'000 | Fair value $'000 |
|---|---|---|
| **Financial assets** | | |
| Bills of exchange | 6,363 | 6,370 |
| Debentures | 500 | 502 |
| | 6,863 | 6,872 |
| **Financial liabilities** | | |
| Bills of exchange | 358 | 360 |
| Debentures | 4,600 | 4,650 |
| Redeemable cumulative preference shares | 15,000 | 14,950 |
| Convertible notes | 4,144 | 4,150 |
| Perpetual notes | 1,905 | 2,500 |
| | 26,007 | 26,610 |

AASB1033.5.6(a)

| 2004 | Carrying amount $'000 | Net fair value $'000 |
|---|---|---|
| **Financial assets** | | |
| Shares and options | 5,736 | 5,840 |
| Bills of exchange | 5,262 | 5,263 |
| Convertible notes | 2,122 | 2,123 |
| Forward foreign exchange contracts | 113 | 118 |
| Currency swaps | 132 | 130 |
| Interest rate swaps | - | 160 |
| | 13,365 | 13,634 |
| **Financial liabilities** | | |
| Bills of exchange | 916 | 920 |
| Debentures | 6,500 | 6,520 |
| | 7,416 | 7,440 |

AASB132.92(c) The financial statements include holdings in unlisted shares and options (note 8). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. Changes in these assumptions do not significantly change the fair value recognised.

AASB132.92(d) Changes in the fair value of unlisted shares and options are recognised through the profit or loss. The fair value movement recognised in the income statement for the period was a loss of $25 thousand.

### Fair value determined using valuation techniques

AASB132.92(c) The consolidated entity shall disclose whether its financial statements include financial instruments measured at fair values that are determined in full or in part using a valuation technique based on assumptions that are not supported by observable market prices or rates. If changing any such assumption to a reasonably possible alternative would result in a significantly different fair value, the entity shall state this fact and disclose the effect on the fair value of a range of reasonably possible alternative assumptions. For this purpose, significance shall be judged with respect to profit or loss and total assets or total liabilities.

AASB132.92(d) The consolidated entity shall disclose the total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period.

Source reference

# 59. Financial instruments (cont'd)

### Fair value not reliably determinable

AASB132.90

If investments in unquoted equity instruments or derivatives linked to such equity instruments are measured at cost under AASB 139 because their fair value cannot be measured reliably, that fact shall be disclosed together with a description of the financial instruments, their carrying amount, an explanation of why fair value cannot be measured reliably and, if possible, the range of estimates within which fair value is highly likely to lie. Furthermore, if financial assets whose fair value previously could not be reliably measured are sold, that fact, the carrying amount of such financial assets at the time of sale and the amount of gain or loss recognised shall be disclosed.

### (f) Liquidity risk management

AASB132.56

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### Commodity contracts

AASB132.8

AASB 132 shall be applied to those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

### Financial instruments designated as at fair value through profit or loss

AASB132.94(e)

An entity shall disclose the carrying amounts of financial assets and financial liabilities that:

- are classified as held for trading; and
- were, upon initial recognition, designated by the entity as financial assets and financial liabilities at fair value through profit or loss (i.e. those that are not financial instruments classified as held for trading).

Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant liability and equity notes.

AASB132.94(f)

If the entity has designated a financial liability as at fair value through profit or loss, it shall disclose:

- the amount of change in its fair value that is not attributable to changes in a benchmark interest rate (e.g. LIBOR); and
- the difference between its carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

### Compound financial instruments with multiple embedded derivatives

AASB132.94(d)

If an entity has issued an instrument that contains both a liability and an equity component and the instrument has multiple embedded derivative features whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features and the effective interest rate on the liability component (excluding any embedded derivatives that are accounted for separately).

Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant liability and equity notes.

Source reference

## 60. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

AASB1.38 An entity shall explain how the transition from previous GAAP to A-IFRS affected its reported financial position, financial performance and cash flows.

AASB1.43 If an entity did not present financial statements for previous periods, its first A-IFRS financial report shall disclose that fact.

AASB1.39(a), 39(b) An entity shall provide:

(a) a reconciliations of its equity reported under previous GAAP to its equity under A-IFRS for both of the following dates:
  (i) the date of transition to A-IFRS; and
  (ii) the end of the latest period presented in the entity's most recent annual financial report under previous GAAP;
(b) a reconciliation of the profit or loss reported under previous GAAP for the latest period in the entity's most recent annual financial report to its profit or loss under A-IFRS for the same period; and

AASB1.40 The reconciliations shall give sufficient detail to enable users to understand the material adjustments to the balance sheet and income statement. If an entity presented a cash flow statement under its previous GAAP, it shall also explain the material adjustments to the cash flow statement.

### Correction of errors v changes in accounting policies

AASB1.41 The reconciliations of equity and of profit or loss shall distinguish correction of errors made under previous GAAP, if any, from changes in accounting policies on the adoption of A-IFRS.

### Recognition or reversal of impairment losses in the opening balance sheet

AASB1.39(c) If the entity recognised or reversed any impairment losses for the first time in preparing its opening A-IFRS balance sheet, the entity shall make the disclosures that Accounting Standard AASB 136 'Impairment of Assets' would have required if the entity had recognised those impairment losses or reversals in the period beginning with the date of transition to A-IFRS.

This disclosure has not been illustrated in this model financial report.

### Designation of financial instruments in the opening balance sheet

AASB1.43A An entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or as available-for-sale. The entity shall disclose the fair value of any financial assets or financial liabilities designated into each category and the classification and carrying amount in the previous financial statements.

This disclosure requirement is illustrated in note 1(ae).

### Use of fair value as deemed cost

AASB1.44 If an entity uses fair value in its opening A-IFRS balance sheet as deemed cost for an item of property, plant and equipment, an investment property or an intangible asset, the entity's first A-IFRS financial report shall disclose, for each line item in the opening A-IFRS balance sheet:

(a) the aggregate of those fair values; and
(b) the aggregate adjustment to the carrying amounts reported under previous GAAP.

Source reference

## 60. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

The consolidated entity changed its accounting policies on 1 January 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 January 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 January 2005 (refer note 1(ae)).

An explanation of how the transition from superseded policies to A-IFRS has affected the company and consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

AASB1.39(a)(i)

**Effect of A-IFRS on the balance sheet as at 1 January 2004**

| | | Consolidated | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | Super-seded policies* $'000 | Effect of transition to A-IFRS $'000 | A-IFRS $'000 | Super-seded policies* $'000 | Effect of transition to A-IFRS $'000 | A-IFRS $'000 |
| **Current assets** | | | | | | | |
| Cash & cash equivalents | | 15,260 | - | 15,260 | 4,117 | - | 4,117 |
| Trade & other receivables | | 18,062 | - | 18,062 | 14,250 | - | 14,250 |
| Other financial assets | | 7,500 | - | 7,500 | 32,853 | - | 32,853 |
| Inventories | | 28,234 | - | 28,234 | 200 | - | 200 |
| Current tax assets | | - | - | - | - | - | - |
| Other | | - | - | - | - | - | - |
| | | 69,056 | - | 69,056 | 51,420 | - | 51,420 |
| Non-current assets classified as held for sale | | - | - | - | - | - | - |
| **Total current assets** | | 69,056 | - | 69,056 | 51,420 | - | 51,420 |
| **Non-current assets** | | | | | | | |
| Trade & other receivables | | - | - | - | - | - | - |
| Inventories | | - | - | - | - | - | - |
| Investments accounted for using the equity method | | 5,680 | - | 5,680 | - | - | - |
| Other financial assets | | 6,582 | - | 6,582 | 68,450 | - | 68,450 |
| Property, plant and equipment | f, g | 164,027 | (89) | 163,938 | 619 | 10 | 629 |
| Investment properties | f | - | 112 | 112 | - | - | - |
| Deferred tax assets** | j | 1,922 | 58 | 1,980 | 1,825 | (1,770) | 55 |
| Goodwill | d | 24,060 | - | 24,060 | - | - | - |
| Other intangible assets | | 12,523 | - | 12,523 | - | - | - |
| Other | | - | - | - | - | - | - |
| **Total non-current assets** | | 214,794 | 81 | 214,875 | 70,894 | (1,760) | 69,134 |
| **Total assets** | | 283,850 | 81 | 283,931 | 122,314 | (1,760) | 120,554 |
| **Current liabilities** | | | | | | | |
| Trade & other payables | | 25,900 | - | 25,900 | 2,254 | - | 2,254 |
| Borrowings | | 57,124 | - | 57,124 | 25,432 | - | 25,432 |
| Other financial liabilities | | - | - | - | - | - | - |
| Current tax payables | | 2,689 | - | 2,689 | 1,998 | - | 1,998 |
| Provisions | b | 3,205 | 196 | 3,401 | 76 | - | 76 |
| Other | | 90 | - | 90 | - | - | - |
| | | 89,008 | 196 | 89,204 | 29,760 | - | 29,760 |
| Liabilities directly associated with non-current assets classified as held for sale | | - | - | - | - | - | - |
| **Total current liabilities** | | 89,008 | 196 | 89,204 | 29,760 | - | 29,760 |

Source reference

## 60. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

| | | Consolidated | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | Super-seded policies * $'000 | Effect of transition to A-IFRS $'000 | A-IFRS $'000 | Super-seded policies * $'000 | Effect of transition to A-IFRS $'000 | A-IFRS $'000 |
| **Non-current liabilities** | | | | | | | |
| Trade & other payables | | 607 | - | 607 | - | - | - |
| Borrowings | | 45,634 | - | 45,634 | 23,454 | - | 23,454 |
| Other financial liabilities | | - | - | - | - | - | - |
| Deferred tax liabilities** | j | 3,246 | 1,794 | 5,040 | 3,345 | (3,338) | 7 |
| Provisions | b | 2,434 | - | 2,434 | 98 | - | 98 |
| Other | | 350 | - | 350 | - | - | - |
| **Total non-current liabilities** | | 52,271 | 1,794 | 54,065 | 26,897 | (3,338) | 23,559 |
| **Total liabilities** | | 141,279 | 1,990 | 143,269 | 56,657 | (3,338) | 53,319 |
| **Net assets** | | 142,571 | (1,909) | 140,662 | 65,657 | 1,578 | 67,235 |
| **Equity** | | | | | | | |
| Share capital | | 48,672 | - | 48,672 | 48,672 | - | 48,672 |
| Asset revaluation reserve | f, g | 5,987 | (5,987) | - | 12 | (12) | - |
| Foreign currency translation reserve | a | 10,257 | (10,257) | - | - | - | - |
| Employee equity-settled benefits reserve | | - | - | - | - | - | - |
| Other reserves | | 807 | - | 807 | 807 | - | 807 |
| Retained earnings | k | 59,586 | 14,355 | 73,941 | 16,166 | 1,590 | 17,756 |
| | | 125,309 | (1,889) | 123,420 | 65,657 | 1,578 | 67,235 |
| Amounts recognised directly in equity relating to non-current assets classified as held for sale | | - | - | - | - | - | - |
| Parent entity interest | | 125,309 | (1,889) | 123,420 | 65,657 | 1,578 | 67,235 |
| Minority interest | | 17,262 | (20) | 17,242 | - | - | - |
| **Total equity** | | 142,571 | (1,909) | 140,662 | 65,657 | 1,578 | 67,235 |

* Reported financial position for the financial year ended 31 December 2003.

** For the purposes of the reconciliation, deferred tax assets and deferred tax liabilities have not been offset against each other.

Source reference

## 60. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

AASB1.39(b)

**Effect of A-IFRS on the income statement for the financial year ended 31 December 2004**

The following illustrative reconciliation is based on the disclosure of expenses by nature. A similar reconciliation shall be disclosed by entities disclosing expenses by function.

| | Note | Consolidated | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | Super-seded policies* $'000 | Effect of transition to A-IFRS $'000 | A-IFRS $'000 | Super-seded policies* $'000 | Effect of transition to A-IFRS $'000 | A-IFRS $'000 |
| Revenue | f, i | 260,340 | (106,149) | 154,191 | 28,051 | (148) | 27,903 |
| Other income | i | - | 1,037 | 1,037 | - | 41 | 41 |
| Share of profits of associates and jointly controlled entities accounted for using the equity method | | 1,589 | - | 1,589 | - | - | - |
| Changes in inventories of finished goods and work in progress | | (6,469) | 8,587 | 2,118 | 40 | - | 40 |
| Raw materials and consumables used | | (130,842) | 45,436 | (85,406) | (2,332) | - | (2,332) |
| Employee benefits expense | b, h | (15,171) | 3,516 | (11,655) | (4,613) | (338) | (4,951) |
| Depreciation and amortisation expense | d, g | (18,056) | 3,817 | (14,239) | (44) | (1) | (45) |
| Finance costs | | (7,396) | 667 | (6,729) | (1,783) | - | (1,783) |
| Impairment of non-current assets | | - | - | - | - | - | - |
| Consulting expenses | | (1,220) | - | (1,220) | - | - | - |
| Other expenses | i | (38,090) | 30,542 | (7,548) | (1,007) | 107 | (900) |
| **Profit before income tax expense** | | 44,685 | (12,547) | 32,138 | 18,312 | (339) | 17,973 |
| Income tax expense | j | (15,680) | 3,879 | (11,801) | (6,441) | 894 | (5,547) |
| **Profit from continuing operations** | | 29,005 | (8,668) | 20,337 | 11,871 | 555 | 12,426 |
| Profit from discontinued operations | c | - | 9,995 | 9,995 | - | - | - |
| **Profit for the period** | | 29,005 | 1,327 | 30,332 | 11,871 | 555 | 12,426 |
| Profit attributable to minority interest | | (2,763) | - | (2,763) | - | - | - |
| **Profit attributable to members of the parent entity** | | 26,242 | 1,327 | 27,569 | 11,871 | 555 | 12,426 |

* Reported financial results for the year ended 31 December 2004.

Source reference

## 60. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

AASB1.39(a)(ii)

**Effect of A-IFRS on the balance sheet as at 31 December 2004**

| | | Consolidated | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | Super-seded policies* $'000 | Effect of transition to A-IFRS $'000 | A-IFRS $'000 | Super-seded policies* $'000 | Effect of transition to A-IFRS $'000 | A-IFRS $'000 |
| **Current assets** | | | | | | | |
| Cash & cash equivalents | | 19,778 | - | 19,778 | 6,681 | - | 6,681 |
| Trade & other receivables | | 17,197 | - | 17,197 | 14,749 | - | 14,749 |
| Other financial assets | | 8,841 | - | 8,841 | 30,853 | - | 30,853 |
| Inventories | | 30,352 | - | 30,352 | 240 | - | 240 |
| Current tax assets | | 60 | - | 60 | - | - | - |
| Other | | - | - | - | - | - | - |
| | | 76,228 | - | 76,228 | 52,523 | - | 52,523 |
| Non-current assets classified as held for sale | | - | - | - | - | - | - |
| **Total current assets** | | 76,228 | - | 76,228 | 52,523 | - | 52,523 |
| **Non-current assets** | | | | | | | |
| Trade & other receivables | | - | - | - | - | - | - |
| Inventories | | - | - | - | - | - | - |
| Investments accounted for using the equity method | | 7,269 | - | 7,269 | - | - | - |
| Other financial assets | | 7,612 | - | 7,612 | 68,450 | - | 68,450 |
| Property, plant and equipment | f, g | 134,574 | (113) | 134,461 | 496 | 9 | 505 |
| Investment properties | f | - | 132 | 132 | - | - | - |
| Deferred tax assets** | j | 2,018 | 105 | 2,123 | 1,807 | (1,763) | 44 |
| Goodwill | d | 23,350 | 710 | 24,060 | - | - | - |
| Other intangible assets | | 11,325 | - | 11,325 | - | - | - |
| Other | | - | - | - | - | - | - |
| **Total non-current assets** | | 186,148 | 834 | 186,982 | 70,753 | (1,754) | 68,999 |
| **Total assets** | | 262,376 | 834 | 263,210 | 123,276 | (1,754) | 121,522 |
| **Current liabilities** | | | | | | | |
| Trade & other payables | | 15,990 | - | 15,990 | 2,269 | - | 2,269 |
| Borrowings | | 37,500 | - | 37,500 | 23,855 | - | 23,855 |
| Other financial liabilities | | - | - | - | - | - | - |
| Current tax payables | | 5,868 | - | 5,868 | 4,643 | - | 4,643 |
| Provisions | b | 2,895 | 352 | 3,247 | 96 | - | 96 |
| Other | | 95 | - | 95 | - | - | - |
| | | 62,348 | 352 | 62,700 | 30,863 | - | 30,863 |
| Liabilities directly associated with non-current assets classified as held for sale | | - | - | - | - | - | - |
| **Total current liabilities** | | 62,348 | 352 | 62,700 | 30,863 | - | 30,863 |
| **Non-current liabilities** | | | | | | | |
| Trade & other payables | | - | - | - | - | - | - |
| Borrowings | | 26,078 | - | 26,078 | 17,083 | - | 17,083 |
| Other financial liabilities | | - | - | - | - | - | - |
| Deferred tax liabilities** | j | 4,249 | 1,567 | 5,816 | 4,231 | (4,224) | 7 |
| Provisions | b | 2,326 | - | 2,326 | 48 | - | 48 |
| Other | | 270 | - | 270 | - | - | - |
| **Total non-current liabilities** | | 32,923 | 1,567 | 34,490 | 21,362 | (4,224) | 17,138 |
| **Total liabilities** | | 95,271 | 1,919 | 97,190 | 52,225 | (4,224) | 48,001 |
| **Net assets** | | 167,105 | (1,085) | 166,020 | 71,051 | 2,470 | 73,521 |

Source reference

## 60. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

AASB1.39(a)(ii)

**Effect of A-IFRS on the balance sheet as at 31 December 2004**

| | | Consolidated | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | Super-seded policies* $'000 | Effect of transition to A-IFRS $'000 | A-IFRS $'000 | Super-seded policies* $'000 | Effect of transition to A-IFRS $'000 | A-IFRS $'000 |
| **Equity** | | | | | | | |
| Share capital | | 48,672 | - | 48,672 | 48,672 | - | 48,672 |
| Asset revaluation reserve | f,g | 7,638 | (6,488) | 1,150 | 14 | (13) | 1 |
| Foreign currency translation reserve | a | 10,614 | (10,364) | 250 | - | - | - |
| Employee equity-settled benefits reserve | h | - | 338 | 338 | - | 338 | 338 |
| Other reserves | | 807 | - | 807 | 807 | - | 807 |
| Retained earnings | | 79,349 | 15,449 | 94,798 | 21,558 | 2,145 | 23,703 |
| | | 147,080 | (1,065) | 146,015 | 71,051 | 2,470 | 73,521 |
| Amounts recognised directly in equity relating to non-current assets classified as held for sale | k | - | - | - | - | - | - |
| Parent entity interest | | 147,080 | (1,065) | 146,015 | 71,051 | 2,470 | 73,521 |
| Minority interest | | 20,025 | (20) | 20,005 | - | - | - |
| **Total equity** | | 167,105 | (1,085) | 166,020 | 71,051 | 2,470 | 73,521 |

* Reported financial position for the financial year ended 31 December 2004.

** For the purposes of the reconciliation, deferred tax assets and deferred tax liabilities have not been offset against each other.

**Effect of A-IFRS on the cash flow statement for the financial year ended 31 December 2004**

AASB1.40 There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

**Notes to the reconciliations of income and equity**

AASB1.40 The explanatory notes shall provide sufficient detail to enable users to understand the material adjustments to the balance sheet, income statement and, if applicable, cash flow statement. The following explanatory notes shall be used as a guide to the level of detail required. Further explanations are illustrated in AASB 1 and additional guidance regarding potential adjustments can be found in Deloitte *Discussion Paper 2004-01 'An overview of Australian equivalents to International Financial Reporting Standards – a guide for boards and audit committees'*, available from www.deloitte.com.au.

(a) Cumulative exchange differences

At the date of transition, the consolidated entity elected to reset the foreign currency translation reserve to zero. An amount of $10,257 thousand (company: nil) was reclassified from the foreign currency translation reserve to retained earnings. These translation differences will be excluded from the calculation of any gain or loss on a subsequent disposal of the foreign operation.

For the financial year ended 31 December 2004, as the consolidated entity's foreign operations had always been translated through the foreign currency translation reserve, the adjustment required under A-IFRS is the $10,257 thousand (company: nil) opening adjustment and the recognition of the tax effect of the current year translation recognised under previous GAAP in the foreign currency translation reserve.

Source reference

## 60. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

An entity that has foreign operations which were not translated through the foreign currency translation reserve under the superseded policies shall disclose an appropriate explanatory note to explain movements in the foreign currency translation reserve under A-IFRS for the comparative financial year.

(b) Defined benefit superannuation plans

A defined benefit obligation, included in the provision for employee benefits, of $196 thousand (company: nil) was recognised on 1 January 2004 on transition to A-IFRS. Under superseded policies, contributions to defined benefit superannuation plans were expensed when due and payable and no assets or liabilities were recognised in relation to the plans.

For the financial year ended 31 December 2004, the defined benefit obligation increased by a further $156 thousand to $352 thousand (company: nil). Adjustments were made to recognise actuarial losses of $226 thousand directly in retained earnings, and to decrease employee benefit expenses by $70 thousand for the financial year ended 31 December 2004.

(c) Discontinued operations

Under A-IFRS, the consolidated entity recognises revenue and expenses, including tax expenses, attributable to discontinued operations as part of a single line item 'profit from discontinued operations' on the income statement. There was no requirement under previous GAAP to split out revenue and expenses attributable to discontinued operations in this manner, and accordingly, amounts are reclassified from the various line items in which they were recognised under previous GAAP to 'profit from discontinued operations' on adoption of A-IFRS.

(d) Goodwill

The consolidated entity has elected not to restate business combinations that occurred prior to the date of transition to A-IFRS, and accordingly, the carrying amount of goodwill at the date of transition has not changed. In addition, goodwill arising from these business combinations that involved the acquisition of foreign businesses will be treated as an Australian dollar denominated asset.

However, goodwill, which was amortised under superseded policies, is not amortised under A-IFRS from the date of transition. The effect of the change is an increase in the carrying amount of goodwill by $710 thousand (company: nil) and an increase in net profit before tax of $710 thousand for the financial year ended 31 December 2004. There is no tax effect as deferred taxes are not recognised for temporary differences arising from goodwill for which amortisation is not deductible for tax purposes.

(e) Impairment of assets

An entity that recognises impairment losses (or reversals thereof) on the date of transition, or additional impairment write-downs (or reversals thereof) during the comparative financial year shall disclose an appropriate explanation. The following wording may be included, where appropriate:

'In determining the recoverable amount of non-current assets, under the superseded policies, the expected net cash flows had not been discounted to their present values. A further write-down by *[amount]* (company: *[amount]*) is required under A-IFRS on the date of transition, and *[amount]* (company: *[amount]*) for the financial year ended [date]. These write-downs are recognised in the asset revaluation reserve or in profit and loss in accordance with the policy for the class of assets under A-IFRS.'

AASB1.39(c) Where an impairment loss is recognised in the opening A-IFRS balance sheet the entity shall provide all the disclosures required by Accounting Standard AASB 136 'Impairment of Assets'.

Source reference

## 60. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

(f) Investment properties

A building of $112 thousand (company: nil) was reclassified from property, plant and equipment to investment properties at the date of transition. The fair value of the building was deemed to be its cost at that date. The amount in the asset revaluation reserve associated with the building was transferred to retained earnings.

For the financial year ended 31 December 2004, an amount of $8 thousand (company: nil), being the increase in fair value, was recognised in the profit or loss for the year. This amount was recognised in the asset revaluation reserve under the superseded policies.

AASB1.44

| | Consolidated | | |
|---|---|---|---|
| | Balance at 31 December 2003 $'000 | Effect of transition to A-IFRS $'000 | Fair value at 1 January 2004 $'000 |
| Investment properties* | 112 | - | 112 |

* Included in the carrying amount of the property, plant and equipment as at 31 December 2003.

(g) Property, plant and equipment

The company and consolidated entity elected to measure property, plant and equipment other than equipment under finance leases on transition to A-IFRS at fair value and has used that fair value as the item's deemed cost at that date. The effect of the revaluation to fair value for property, plant and equipment previously held at cost is an increase in the carrying amount of property, plant and equipment of $23 thousand (company: $10 thousand) at 1 January 2004 and a reclassification of any amounts in the asset revaluation reserve associated with these items to retained earnings. Additional depreciation expense of $4 thousand (company: $1 thousand) is recognised under A-IFRS for the financial year ended 31 December 2004.

AASB1.44

| | Consolidated | | |
|---|---|---|---|
| | Balance at 31 December 2003 $'000 | Effect of transition to A-IFRS $'000 | Fair value at 1 January 2004 $'000 |
| Property, plant and equipment* | 163,915 | 23 | 163,938 |

* Excludes the carrying amount of the building reclassified as investment property as at 1 January 2004.

AASB1.44

| | Company | | |
|---|---|---|---|
| | Balance at 31 December 2003 $'000 | Effect of transition to A-IFRS $'000 | Fair value at 1 January 2004 $'000 |
| Property, plant and equipment | 619 | 10 | 629 |

An entity that measures items of property, plant and equipment at fair value on an ongoing basis and has offset revaluation increments and revaluation decrements against items in a class, as permitted under the superseded policies, may wish to include the following wording, where appropriate:

'In contrast to superseded policies, revaluation increments and decrements for property, plant and equipment measured at fair value may not be offset against one another within the class of assets. Accordingly, for the financial year ended *[date]*, the asset revaluation reserve increased by *[amount]* (company: *[amount]*) and an additional expense of *[amount]* (company: *[amount]*) is recognised in profit for the financial year.'

Source reference

## 60. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

(h) Share-based payments

For the financial year ended 31 December 2004, share-based payments of $338 thousand (company: $338 thousand) (included in 'employee benefit expenses') which were not recognised under the superseded policies were recognised under A-IFRS, with a corresponding increase in the employee equity-settled benefits reserve.

These adjustments had no material tax or deferred tax consequences.

An entity that has share options issued after 7 November 2002 not vested as of 1 January 2005 may wish to include the following wording, where appropriate:

'An amount of *[amount]* (company: *[amount]*), not recognised under the superseded policies, is recognised in the employee equity-settled benefits reserve on the date of transition under A-IFRS. The amount relates to share options granted under the executive share option plan which were issued after 7 November 2002 and are not vested as of 1 January 2005.'

(i) Revenue

Under superseded policies, the consolidated entity recognised the gain or loss on disposal of property, plant and equipment on a 'gross' basis by recognising the proceeds from sale as revenue, and the carrying amount of the property, plant and equipment disposed as an expense. Under A-IFRS, the gain or loss on disposal is recognised on a 'net' basis, and is classified as income, rather than revenue. Accordingly, the 'gross' amounts have been reclassified within the income statement for A-IFRS reporting purposes.

(j) Income tax

Under superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

Under A-IFRS, deferred tax balances of wholly-owned subsidiaries in a tax-consolidated group are not recognised by the head entity. These balances were recognised under the superseded policies.

The effect of the above adjustments on the deferred tax balances are as follows:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 1 Jan 2004 $'000 | 31 Dec 2004 $'000 | 1 Jan 2004 $'000 | 31 Dec 2004 $'000 |
| Derecognition of deferred tax balances of wholly-owned subsidiaries | - | - | 1,575 | 2,468 |
| Defined benefit obligation | 58 | 105 | - | - |
| Fair value as deemed cost | (492) | (491) | (7) | (6) |
| Deferred tax not recognised under previous GAAP | (1,302) | (1,076) | - | (1) |
| Net increase/(decrease) in deferred tax balances | (1,736) | (1,462) | 1,568 | 2,461 |

The effect on consolidated profit for the financial year ended 31 December 2004 was to decrease previously reported income tax expense by $881 thousand (company: $894 thousand).

Source reference

## 60. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

(k) Retained earnings

The effect of the above adjustments on retained earnings is as follows:

| | Note | Consolidated 1 Jan 2004 $'000 | Consolidated 31 Dec 2004 $'000 | Company 1 Jan 2004 $'000 | Company 31 Dec 2004 $'000 |
|---|---|---|---|---|---|
| Transfer from foreign currency translation reserve | a | 10,257 | 10,257 | - | - |
| Defined benefit obligation | b | (196) | (352) | - | - |
| Goodwill no longer amortised | d | - | 710 | - | - |
| Transfer from asset revaluation reserve | f,g | 5,987 | 5,987 | 12 | 12 |
| Fair value as deemed cost | g | 23 | 23 | 10 | 10 |
| Additional depreciation expense | g | - | (4) | - | (1) |
| Recognition of fair value adjustments on investment properties | f | - | 8 | - | - |
| Expensing share-based payments | h | - | (338) | - | (338) |
| Adjustments to tax balances | j | (1,736) | (862) | 1,568 | 2,462 |
| Other *[describe]* | | - | - | - | |
| Total adjustment to retained earnings | | 14,335 | 15,429 | 1,590 | 2,145 |
| Attributable to members of the parent entity | | 14,355 | 15,449 | 1,590 | 2,145 |
| Attributable to minority interests | | (20) | (20) | - | - |
| | | 14,335 | 15,429 | 1,590 | 2,145 |

The adjustment to derecognise the deferred tax balances of wholly-owned subsidiaries in the company's separate financial statements shall be made against retained earnings or the carrying amount of the investment in the subsidiary, as appropriate, depending on the tax funding arrangement between the entities in the tax-consolidated group. For example, if the tax funding arrangement provided that amounts would be payable or receivable to or from the head entity in the tax-consolidated group for the deferred tax balances assumed, the adjustment would be made against the carrying amount of the investment in the subsidiary, rather than against retained earnings. The adjusted carrying amount of the investment in the subsidiary shall be considered for impairment.

## 61. Additional company information

AASB101.126(a) DTT Consolidated Limited is a listed public company, incorporated and operating in Australia, North America and Europe.

AASB101.126(a)

**Registered office**
10th Floor
DTT Centre
255 Deloitte Street
MELBOURNE VIC 3000
Tel: (03) 9208 7000

**Principal place of business**
1st Floor
167 Admin Ave
MELBOURNE VIC 3000
Tel: (03) 9208 5000

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

Source reference

# Additional stock exchange information as at 14 March 2006

ASX4.10 Additional stock exchange information must be current as at a date not earlier than 6 weeks from the issue of the financial report.

**Number of holders of equity securities**

ASX19.12 Equity securities include shares, units, options over issued or unissued securities, rights to any one of the former securities and convertible securities.

ASX4.10.5 Ordinary share capital

- 14,844,000 fully paid ordinary shares are held by 709 individual shareholders.
- 2,500,000 partly paid ordinary shares, paid to 71 cents, are held by 709 individual shareholders. 29 cents per share may be called up in the event of winding up the company.

ASX4.10.6 All issued ordinary shares carry one vote per share, however, partly paid shares do not carry the rights to dividends.

ASX4.10.5, ASX4.10.16 Preference share capital

- 1,100,000 10% converting cumulative non-participating preference shares are held by 6 individual shareholders.
- 3,000,000 7% redeemable cumulative preference shares are held by 8 individual shareholders.
- 100,000 10% converting non-participating preference shares are held by 1 individual shareholder.

ASX4.10.6 All issued converting cumulative non-participating preference shares, redeemable cumulative preference shares and converting non-participating preference shares carry one vote per share, however, the right to vote is restricted to meetings convened for the purpose of reducing the capital or winding-up or sanctioning the sale of the undertaking of the Company or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend on their particular class of preference shares is in arrears for more than six months.

ASX4.10.5 Convertible notes

- 4,500,000 5.5% fully paid convertible notes are held by 354 individual noteholders.

ASX4.10.6 Convertible notes do not carry a right to vote.

ASX4.10.5, ASX4.10.16 Options

- 196,000 options are held by 30 individual optionholders.

ASX4.10.6 Options do not carry a right to vote.

ASX4.10.7 **Distribution of holders of equity securities**

ASX19.12 Equity securities include shares, units, options over issued or unissued securities, rights to any one of the former securities and convertible securities.

| | Fully paid ordinary shares | Partly paid ordinary shares | Converting cumulative preference shares | Redeemable preference shares | Converting non-participating preference shares | Convertible notes | Options |
|---|---|---|---|---|---|---|---|
| 1 - 1,000 | 672 | 692 | - | - | - | 326 | 18 |
| 1,001 - 5,000 | 18 | 7 | - | - | - | 13 | 10 |
| 5,001 - 10,000 | 5 | 3 | - | - | - | 5 | |
| 10,001 - 100,000 | 8 | 4 | 5 | 3 | - | 6 | 2 |
| 100,001 and over | 6 | 3 | 1 | 5 | 1 | 4 | - |
| | 709 | 709 | 6 | 8 | 1 | 354 | 30 |
| ASX4.10.8 Holding less than a marketable parcel | 87 | 337 | - | - | - | - | - |

**Source reference**

ASX4.10.4

**Substantial shareholders**

| Ordinary shareholders | Fully paid Number | Fully paid Percentage | Partly paid Number | Partly paid Percentage |
|---|---|---|---|---|
| DTT Ultimate Limited | 8,500,000 | 57.26 | 1,416,667 | 56.67 |
| XYZ Nominees Limited | 1,000,000 | 6.74 | 166,667 | 6.67 |
| Walker Pty Ltd | 1,000,000 | 6.74 | 166,667 | 6.67 |
| | 10,500,000 | 70.74 | 1,750,001 | 70.01 |

s.9

A person has a substantial shareholding in a body corporate, or listed registered managed investment scheme, if:

(a) the total votes attached to voting shares in the body, or voting interests in the scheme, in which they or their associates:
  (i) have relevant interests; and
  (ii) would have a relevant interest but for subsection 609(6) (exchange traded options) or 609(7) (conditional agreements);
  (iii) is 5% or more of the total number of votes attached to voting shares in the body, or interests in the scheme; or

(b) the person has made a takeover bid for voting shares in the body, or voting interests in the scheme, and the takeover period has started and not yet ended.

s.9

A voting share means an issued share in the body that carries any voting rights beyond the following:

(a) a right to vote while a dividend (or part of a dividend) in respect of the share is unpaid;
(b) a right to vote on a proposal to reduce the body's share capital;
(c) a right to vote on a resolution to approve the terms of a buy-back agreement;
(d) a right to vote on a proposal that affects the rights attached to the share;
(e) a right to vote on a proposal to wind the body up;
(f) a right to vote on a proposal for the disposal of the whole of the body's property, business and undertaking; and
(g) a right to vote during the body's winding up.

ASX4.10.9

**Twenty largest holders of quoted equity securities**

| | Fully paid Number | Fully paid Percentage | Partly paid Number | Partly paid Percentage |
|---|---|---|---|---|
| DTT Ultimate Limited | 8,500,000 | 57.26 | 1,416,667 | 56.67 |
| XYZ Nominees Limited | 1,000,000 | 6.74 | 166,667 | 6.67 |
| Walker Pty Ltd | 1,000,000 | 6.74 | 166,667 | 6.67 |
| The Perry Family Trust | 500,000 | 3.37 | 83,333 | 3.33 |
| Hayes Nominees Limited | 200,000 | 1.35 | 33,333 | 1.33 |
| P.T. Young | 200,000 | 1.35 | 33,333 | 1.33 |
| DTT Superannuation Trust | 100,000 | 0.67 | 16,667 | 0.67 |
| Inkerman Pty Limited | 50,000 | 0.34 | 8,333 | 0.33 |
| Watson Nominees Limited | 50,000 | 0.34 | 8,333 | 0.33 |
| P.H. Taylor | 50,000 | 0.34 | 8,167 | 0.33 |
| C.W. Kingsley | 20,000 | 0.13 | 3,333 | 0.13 |
| K.B. Chai | 20,000 | 0.13 | 3,333 | 0.13 |
| T.P. Cowood | 20,000 | 0.13 | 3,333 | 0.13 |
| W.L. Yeoh Family Trust | 12,270 | 0.08 | 1,000 | 0.04 |
| Stock Pty Limited | 10,000 | 0.07 | 1,667 | 0.07 |
| D.E. Porter | 10,000 | 0.07 | 1,667 | 0.07 |
| A.L. Lauf | 10,000 | 0.07 | 1,667 | 0.07 |
| P.D. Dhaliwal | 10,000 | 0.07 | 1,667 | 0.07 |
| C.P. Daniels | 8,751 | 0.06 | - | - |
| C.J. Chambers | 5,000 | 0.03 | 833 | 0.03 |
| Hill Nominees Limited | - | - | 833 | 0.03 |
| | 11,776,021 | 79.34 | 1,960,833 | 78.43 |

**Source reference**

| Convertible noteholders | Fully paid Number | Fully paid Percentage |
|---|---|---|
| DTT Ultimate Limited | 2,500,000 | 55.56 |
| Betkowski Nominees Limited | 400,000 | 8.89 |
| Walker Pty Ltd | 400,000 | 8.89 |
| Smith Trust | 200,000 | 4.44 |
| Gyles Nominees Limited | 75,000 | 1.67 |
| P.T. Young | 75,000 | 1.67 |
| Insurance Company Limited | 30,000 | 0.67 |
| P.H Taylor Family Trust | 15,000 | 0.33 |
| Watson Nominees Limited | 15,000 | 0.33 |
| C.W. Kingsley | 15,000 | 0.33 |
| K.B. Chai | 10,000 | 0.22 |
| T.P. Carroll | 10,000 | 0.22 |
| Stock Pty Limited | 10,000 | 0.22 |
| Hill Nominees Limited | 10,000 | 0.22 |
| A.L. Lauf | 10,000 | 0.22 |
| P.D. Margary | 5,000 | 0.11 |
| Hankey Pty Limited | 5,000 | 0.11 |
| D.E. Rundell | 5,000 | 0.11 |
| Swenson Trust | 5,000 | 0.11 |
| Thomason Nominees Limited | 5,000 | 0.11 |
| | 3,800,000 | 84.43 |

ASX4.10.16

**Unquoted equity securities shareholdings greater than 20%**

| | Number |
|---|---|
| Converting cumulative preference shares | |
| DTT Ultimate Limited | 930,000 |
| | 930,000 |
| Converting non-participating preference shares | |
| DTT Ultimate Limited | 100,000 |
| | 100,000 |

Disclosure of the name of the holder and the number of equity securities held, where a person holds more than 20% of the equity securities in an unquoted class, is not required where the securities were issued or acquired under an employee incentive scheme.

ASX4.10.10

**Company secretary**
Mr A.B. Group

ASX4.10.11

**Registered office**
10th Floor
DTT Centre
255 Deloitte Street
MELBOURNE VIC 3000
Tel: (03) 9208 7000

**Principal administration office**
1st Floor
167 Admin Ave
MELBOURNE VIC 3000
Tel: (03) 9208 5000

ASX4.10.12

**Share registry**
DTT Share Registry Services
Level 1
225 George St
SYDNEY NSW 2000
Tel: (02) 9322 7000

| Source reference | |
|---|---|
| | **Other ASX information** |
| | **All listed entities** |
| ASX4.10.14 | The number of restricted securities issued and the period of time before they can be listed. |
| ASX4.10.18 | Whether there is a current on-market buy-back. That is, if an Appendix 3C has been given to the ASX for an on-market buy-back and no Appendix 3F has been given to the ASX for that buy-back. |
| | **Stock exchange listings** |
| ASX4.10.13 | Where the entity is listed on a stock exchange other than the Australian Stock Exchange, the name of that exchange must be disclosed. |
| | **For listed mining companies** |
| ASX5.6 | Statements in the annual report must comply with Appendix 5A of the Listing Rules. |
| | **For listed mining exploration companies** |
| ASX4.10.15 | A list of interests in mining tenements held, where they are situated, and the percentage interest therein. |
| | **For listed investment entities** |
| ASX4.10.20 | (a) a list of all investments held by it and its subsidiaries;<br>(b) the total number of transactions in securities during the reporting period, together with the total brokerage paid or accrued during the period; and<br>(c) the total management fees paid or accrued during the reporting period, together with a summary of any management agreement. |
| | **For recently listed entities** |
| ASX4.10.19 | In the first two annual financial reports after admission to the ASX, where an entity is admitted under ASX Rule 1.3.2(b), the entity must state whether the entity used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. If the use was not consistent, an explanation of how the cash and assets were used. |